The Mortgage Banker

Will easier home financing terms again spur building? The Administration believes they will.

MBA — MORTGAGE BANKERS ASSOCIATION OF AMERICA — ORGANIZED 1914

in this issue -----

WE HAVE A SELLING JOB WITH THE PENSION FUNDS ★ WHAT'S WRONG IN URBAN RENEWAL ★ A LOOK AT HOUSING

When you're checking into a potential real estate investment, you want all the facts — clear, concise, and exact.

We at TG strive to meet this standard in our title reports. And we supplement them by the comprehensive protection of a TG title insurance policy.

THE TITLE GUARANTEE COMPANY

CHARTERED IN NEW YORK STATE IN 1883

HEAD OFFICE . . . 176 BROADWAY, NEW YORK 38, N. Y., WOrth 4-1000

Title Insurance throughout the states of New York, New Jersey, Connecticut, Massachusetts, Maine, New Hampshire, Vermont, Georgia and other states through qualified insurers

MBA CALENDAR

April 10-11, Southern Mortgage Conference, Dinkler-Plaza Hotel, Atlanta

April 20-21, Loan Administration Clinic, Olympic Hotel, Seattle

May 18-19, Eastern Mortgage Conference, Queen Elizabeth Hotel, Montreal, Canada

School of Mortgage Banking, Northwestern University, Chicago:

June 18-24, Course I

June 25-July 1, Course II

July 2-7, Course III

School of Mortgage Banking, Stanford University, Stanford, California:

July 23-29, Course I

July 30-August 5, Course II

September 11-14, Electronic Convention, Statler Hilton Hotel, Detroit

October 30-November 2, 48th Annual Convention, Americana Hotel, Miami Beach, Florida

December 10-16, Second Annual Case-Study Seminar on Income Property Financing, Michigan State University, East Lansing, Mich.

President Tharpe's Calendar

March 16, New Jersey MBA, Newark

March 23, St. Louis MBA

March 24, Nebraska Lenders Association, Omaha

April 6, California MBA, Coronado, Calif.

April 24, Iowa MBA, Sioux City

May 10, Texas MBA, Ft. Worth

The Mortgage Banker

PUBLISHED MONTHLY BY THE

MORTGAGE BANKERS ASSOCIATION OF AMERICA

Executive and Editorial Office
111 West Washington Street, Chicago 2
Tel. RAndolph 6-5704

Washington Office
1001—15th St., N.W., Washington 5, D. C.
Tel. MEtropolitan 8-4258

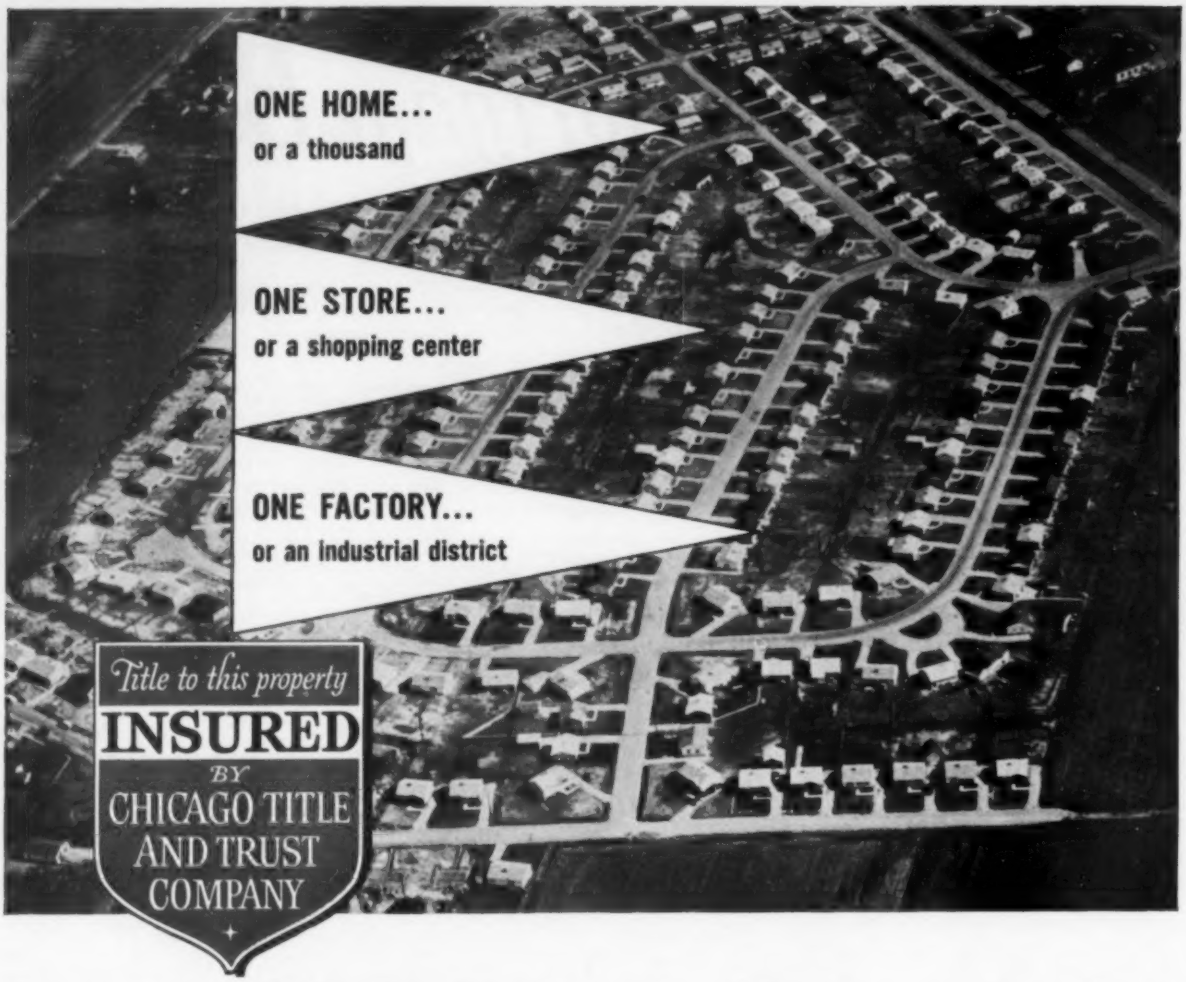
The Mortgage Banker is distributed monthly to members of the Mortgage Bankers Association of America. Opinions expressed are those of the authors or the persons quoted and are not necessarily those of the Association. Advertising rates on request. Subscriptions: Of the Limited, Regular and Associate dues, $4.00 is for a year's subscription to The Mortgage Banker, the official monthly publication of the Association. Subscription rate $4 a year to non-members, $10 for three years. Separate copies 35c. Entered as second class matter at the post office at Chicago, Illinois, under the Act of March 3, 1879.

GEORGE H. KNOTT, *Editor* — ROBERT J. BERAN, *Associate Editor*

Volume 21 — **March, 1961** — **Number 6**

Contents

▶ THE COVER: A main factor in the Administration's business recovery program is "to expand the flow of money into mortgages," according to the President who previously told the Federal Home Loan Bank Board that "one of the important factors contributing to the slack in our economy is the current high mortgage interest rate." Secretary of the Treasury Dillon conferred with leading West Coast savings and loan managers to start the ball rolling. The President then dispatched Federal Home Loan Bank Board chairman-designate, Joseph McMurray, to the Coast as an additional step. Easier home loan financing terms have thus become a principal anti-recession measure. But economists have been rather well agreed that easier financing terms, as a stimulus to construction, have done about all they can do, probably have lost the magic they worked in past periods. Whether the idea will again produce results is something that will be demonstrated before year-end.



Complete Title Protection for Mortgage Lenders

Here is the finest title protection for mortgage lenders—backed by *more than a century* of experience . . . *more than twice* the financial strength of any other title company insuring titles in the Middle West.

IN ILLINOIS. Chicago Title Insurance Policies are issued in 88 cities—throughout the state. Should a claim ever arise against the title as insured, Chicago Title and Trust Company takes over its defense, in court if necessary; assumes all litigation costs; promptly pays any loss.

IN OTHER STATES, similar protection is available for property through title insurance policies of subsidiary companies.

THROUGHOUT THE U.S. On property in all sections of the country, Chicago Title and Trust Company will provide *reinsurance* on the major part of the risk. Also available: our *national referral* service, through which we recommend a local title company known to be well qualified to serve you.

If you have a question about title insurance or reinsurance anywhere in the nation, we invite you to write:

Title to this property INSURED BY CHICAGO TITLE AND TRUST COMPANY

Chicago Title *and* Trust *Company*

111 WEST WASHINGTON STREET, CHICAGO 2, ILLINOIS

Regional Offices, Agents and Representatives serving every Illinois county
Title insurance on property in other states through subsidiary companies
Title reinsurance service on property throughout the nation

Quotes

Reflections of the World Today in Capsule Comments

NOT A SINGLE ONE

Albert M. Cole, former HHFA administrator, says the urban renewal effort so far has been a failure—all because FHA has not been given the tools to make it attractive.

"Not a single urban renewal rehabilitation project depending primarily on Section 220 financing has been successful.

"In six years, only one rehabilitation mortgage has been insured by the FHA under Section 220 for an investor-owned dwelling. Only 73 mortgages for owner-occupied homes have been approved by the FHA under Section 220 during the same period. When these results are measured against the one half million dwelling units in federally-approved urban renewal areas, the extent of our failure is evident."

The Cole recommendations:

"Legislation authorizing a new FHA co-insurance program for rehabilitation mortgages, under which the FHA and the lending institutions involved would jointly insure the loan. This would be similar to the present FHA Title 1 loans for home remodeling. This arrangement would put primary responsibility for loan investigation upon the local lender, thus eliminating the present time-consuming FHA procedures.

"Legislation authorizing a new type of formula for determining the maximum amount of FHA insured mortgage. The new formula would be based on debt service requirements, permitting the maximum loan which could be serviced under the prospective sales price or rental yield of the rehabilitated property. Present loans are based on a complex determination of appraised value.

"Administrative action by the FHA to set up a new section to organize and operate all loan programs involving urban renewal projects. This section would have the personnel, tools and time to develop the faster, more simple rehabilitation loan procedures which are essential."

•

THE REALLY CRITICAL PROBLEM

It's unemployment, with more to come and one thing that could put a brake on it is major reform in Federal tax laws, says United States Chamber of Commerce President Arthur H. Motley:

"More risk capital can be made available if Congress reduces the excessively high individual income tax rates, which range up to 91 per cent,

and the 52 per cent corporate tax. We also need to overhaul our unrealistic tax policy on depreciation, which discourages investment and the replacement of obsolete equipment with the up-to-date machinery essential to enable American firms to compete aggressively with foreign companies.

"Legislation such as the Herlong-Baker tax reform bills has these job-creating goals in mind.

"Today's tax laws act as a deterrent to new investments which could produce steady, purposeful jobs for hundreds of thousands of unemployed Americans. The tax structure penalizes individual savings and initiative at the middle and top income levels, the source of most job-creating investment. Tax rates soar to 50 per cent on $16,000 individual income. Above $18,000 they soak up more than half of every dollar earned.

"With the advances of science, invention, improved technology and greater specialization, it now costs an average of up to $15,000 to $20,000 to create just one new job. Almost a million more persons come into the labor force each year than leave it, and this alone means that $15 to $20 billion more in investment funds must be provided annually."

•

EYES FRONT FOR THE FED

Says Bankers Trust Company:

"Current business prospects now make it unlikely that Federal Reserve policy will change direction over the near term. However, the Federal Reserve is obviously mindful of the necessity to contain the gold outflow and will probably continue to keep money market rates from dropping materially, as long as yields abroad are noticeably higher. Nevertheless, some temporary easing in yields should not be ruled out, particularly in the corporate bond market where lower capital expenditures may be reflected in a reduced volume of new offerings."

•

OUTLOOK IN VA

There is still VA business to be done, said P. N. Brownstein, VA loan guaranty service director:

"There are still more than 9 million World War II veterans who have until July 25, 1962, to use their G. I. loan entitlement. But a more active demand may be expected from the more than 5 million Korean veterans who will remain eligible until January 31, 1965. For the first 11 months of 1960, Korean veterans accounted for 55 per cent of VA's loan guaranty activity. We believe a good veteran market still exists and that mortgage funds will be available on reasonable terms."

THE LAND SHORTAGE

In discussing urban problems and the solutions for them, Victor Gruen, architect and city planner, said:

"We are fast running out of that most important natural resource in those areas where urban concentrations can exist. Land is irreplaceable. It cannot be imported from other places and we have to use it economically and in a manner in which it can serve us best."

From the Rostrum

Mined From The Manuscripts

WHO WILL BUY HOUSES

One out of every five new dwelling units built last year was an apartment —"by far the highest proportion of apartments reached in the postwar period, and there is every reason to believe that it will go higher in the next few years," said F. W. Dodge Economist George Cline Smith.

"There will be plenty of demand for new dwellings in the first half of the Sixties, and even more in the second half, but whether those units will be single family homes or apartments depends in part on whether the home builders recognize and adapt themselves to changing demand conditions.

"Population growth, replacement needs and other factors will provide a basic annual market for at least 1,300,000 new dwelling units for the next several years. But the fastest growing elements of the adult population will not be the typical homebuyers, but the young adults and the elderly people whose needs and capabilities call for smaller, less expensive units.

"We can assume that these people will want rental units—but this is an assumption that may be very wrong. Perhaps they will have to take rental units, simply because we fail to provide any alternative in smaller, lower priced houses.

"It seems fairly obvious that the cream has been skimmed off the larger, luxury market, but even the standard three-bedroom two-bath house may be in for some rough sledding for several years.

"Keeping the sale price down is going to be the paramount consideration. As long ago as 1956, in discussing the housing outlook, we pointed out that 'when one industry undergoes considerably more inflation than others, it finds itself in the same vulnerable position as an army that bulges out into a salient. . . . Of the industrial prices, building materials have risen most. . . . Building wage rates are not only far higher than those in manufacturing and trade, but they have risen a little more rapidly in recent years. Costs of land and facilities have also risen sharply. . . . In the longer run (and not too much longer, at that) something has to give.'

"Stimulating a market for the 'quality house' is a fine idea, provided that by quality, we mean more house per dollar, and not just the residential equivalent of chromium trim and higher tail fins. The costlier, more gadgeted luxury house may be the home of the future, but we are talking about the hard, cold present when the bulk of the new housing demand comes from people who simply don't need—and can't afford—luxury housing.

"Whether these people are renters, or home buyers, depends very much on the choices offered to them by the home building industry. If the houses for sale are all four bedroom jobs on two-acre plots located thirty miles from downtown, then the market for apartments will be very good indeed.

"It is particularly important to realize that the postwar sellers' market in housing is over. Backlogs of demand left from the housing hiatus of

the Great Depression and World War II have been largely liquidated.

"From here on out, builders will have to give a great deal more study to the characteristics, needs and wants of the buyers. They will have to call on architects for the best possible designs to meet these needs efficiently, economically and attractively. And they will have to exercise the utmost ingenuity in their own building operations, to deliver the most 'housepower' possible per dollar of cost. The market is big, the profit potential is there—but reaching the market profitably is going to require a high degree of skill on the part of the builder."

A THREAT TO FHA

"The challenge that FHA faces is whether it will continue to provide mortgage insurance for a wide home-buying market on an economically sound basis, or whether it will be harnessed for the accomplishment of specific social objectives with economic soundness relegated to a subordinate role, if not eliminated altogether," said NAREB President O. G. Powell.

"I am disturbed over the new party line in Washington that the FHA, like the Public Housing Administration and the Urban Renewal Administration, are federally-subsidized programs and, therefore, should be geared to the accomplishment of specific social objectives.

"For example, if the planners in Washington decide that we need more cooperatives and more houses selling for less than $10,000, then the FHA should be geared to accomplish that objective. This is no idle threat. Examine the arguments of those who propose that the Congress create a new middle-income housing program."

Farm Population Declines and Also Their Incomes

As the urban and rural segments of the country's population undergo drastic changes so do their earnings

The great population movements of recent years and their economic impact have had a significant influence on the distribution of family income in the United States and changes in purchasing power in the three broad residential classifications into which the country is divided—urban, rural nonfarm, and farm.

The most striking of these changes is the shift that has occurred as between the cities and their urban ring and the more outlying areas long classified as rural nonfarm and more familiarly known as exurbia.

Reflecting a record influx of relatively more prosperous families since the mid-Fifties and the effect of their purchasing power on business and employment opportunities in these areas, total rural nonfarm family income increased by an aggregate of around \$29½ billion between 1955 and 1959, or by over three-fifths.

By comparison, urban family income also increased by about \$29½ billion in the aggregate, or approximately one-fifth, between those years. Between 1950 and 1955, by contrast, total urban family income showed a growth more than double that of the rural nonfarm group, \$42 billion as against \$19 billion. The figures are for money income only, before taxes.

The comparative performance is all the more notable since the urban areas in 1955 had nearly three times the number of families and more than three times the aggregate family income of the rural nonfarm families. Between 1955 and 1959, however, the number of rural nonfarm families increased by 2¾ million as against a rise of 1½ million in the previous five years, while the number of urban families remained virtually stationary.

As a result of the income changes, total rural nonfarm family income added up to \$77½ billion in 1959 and represented over 28 cents of the nation's family income dollar. This represented a marked rise from 1955, when rural nonfarm family income came to \$48 billion and was the equivalent of 22½ cents of the nation's family income dollar. The comparable figures for 1950 were \$29¼ billion and just over 19 cents.

The urban areas show a reverse trend despite continued income improvement. The \$180 billion of urban family income in 1959 was the equivalent of just over 65 cents of the nation's family income dollar as compared with 70½ cents in 1955 when total family income in the urban classification came to \$150¾ billion. For 1950 the comparable figures were \$109

billion and about 71½ cents.

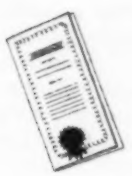
Income of families living in rural farm areas, which had gained very little between 1950 and 1955, scored an appreciable rise in the ensuing four years, increasing by over $3 billions to a total of $18 billions between 1955 and 1959. This is money income only. Like the urban areas, farm family income has lost ground as a proportion of the nation's family income dollar. The 1959 figure was about 6½ cents as compared with 7 cents in 1955 and over 9 cents in 1950.

However, the breakdown of farm families by income brackets show a noticeable improvement in recent years, with decided gains in the number and proportion of families in the brackets of $5,000 a year and up and a big decline in the lowest income group. The population factor is visible here, too. The number of farm families declined by nearly 600,000 in the 1955-59 period, almost double the decrease in the previous five years.

Census Bureau studies in past years have shown some marked variations in the distribution of family income by size of community, with decided differentials in favor of the big urban areas as against residents of the smaller towns or rural nonfarm areas. The latest figures still show a carryover of this pattern, with a smaller proportion of families at the bottom end of the income scale and a larger ratio in the top brackets in urban areas of 250,000 population and over. In other income groupings, however, past differentials have narrowed significantly, and this is particularly noticeable in the proportions of families throughout the nonfarm area with money income between $5,000 and $10,000 a year, which now comprises more than four out of every ten American families.

For the nation as a whole, the persistent uptrend in family income during the Fifties has manifested itself in a decline of over 10 million families in the income range of under $5,000 a year, and an increase of nearly 16 million families in the combined $5,000 and over brackets. The greatest relative growth has been in the $10,000 and over income group where there were more than four times as many families in 1959 as in 1950.

MORTGAGES and MORTGAGE BANKERS

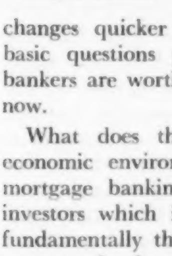


PROBLEMS and PROSPECTS in MEETING COMPETITION

By Saul B. Klaman

Mortgage banking, like every other area of the economy, is experiencing change—changes of many kinds, on many fronts. And as is true for most areas of the economy, a key to the changes that are here and are coming is competition. Here Mr. Klaman takes a look at our industry, past and present, with some suggestions for the future. He is director of research of the National Association of Mutual Savings Banks, was formerly with the Federal Reserve Board and is responsible for that only-one-of-its-kind works, The Postwar Rise of the Mortgage Companies, the most comprehensive study of the industry ever made. His observations here are condensed from his 1961 MBA-NYU address.

A FUNDAMENTAL question being asked today by thoughtful observers is: are we entering an economic period in which industrial capacity and the supply of goods and money will be adequate to meet all demands? If so, competition for markets may be expected to quicken. No one can foresee how far ahead this will be pertinent. Clearly, the only thing that does not change in our economic world is change itself. But whether or not the present environment changes quicker than expected, the basic questions posed for mortgage bankers are worthy of being explored now.



Saul B. Klaman

What does this new competitive economic environment mean to the mortgage banking industry and the investors which it serves? It means fundamentally that the supply of investment funds seeking mortgages will be ample because:

- Debt instruments in a noninflationary setting will be generally desirable investments as compared with equities.
- Individuals will be encouraged to save as incomes are maintained and the pressure to spend will be lessened.
- Saving in traditional forms through financial intermediaries will be attractive.
- Federal credit and fiscal policy will not be restrictive and may well be expansive.

At first this set of circumstances may appear to be the millennium come to mortgage banking — all the mortgage money you can use with investors sitting in your waiting rooms rather than you in theirs. But this would be true only if you were able to generate a sufficient volume of mortgages to operate efficiently and profitably. For let us not forget that you fulfill a dual role in the mortgage market—acting as intermediaries between both borrowers (builders and home purchasers) and investors.

In this new competitive economy we have assumed, it may well be that the potential sources of demand for mortgage funds will be inadequate to maintain the mortgage banking industry in its present form. Such a development would reflect the achievement in our new economic setting of a temporary balance in housing markets—the main source of postwar demands for mortgage funds. This new setting implies that until the popula-

tion upsurge is upon us in the mid-1960's, housing demand, and hence demand for mortgage funds, need not always be responsive to the magic hypodermic of ample and easy credit. This will be a unique situation for mortgage banking because heretofore the main industry problem has usually been to find an adequate supply of mortgage funds, not demand for them.

It may well be that competition in the generation of mortgages will intensify, and that the present number of mortgage originators will prove larger than can be effectively accommodated in the new economy. If so, this situation will reflect in part the unusually large number of new mortgage companies formed after World War II attracted by the exceptional opportunities in the industry. In the first postwar decade alone some 450 new companies were organized. The records indicate that this number exceeded the number of companies formed, and still in existence, in all the years since the turn of the century.

These new companies — and the young mortgage industry—grew and prospered under extraordinarily expansive postwar circumstances. Broadened national mortgage markets opened up by federal mortgage insurance and guarantee, relatively favorable mortgage yields, unusual liquidity of financial institutions, great postwar housing demands, and the growth of mass housebuilding techniques, set the stage for the entrance of many new companies and the expansion of existing ones. In this setting the industry met the needs for the special kind of services unusually well, and mortgage banking flourished.

The special stimuli that catapulted the mortgage industry on to the national scene have shaken down gradually into a less expansive environment. It has passed from the "rapid growth stage" of development to the "shakeout stage" and that in today's more competitive environment some marginal companies may be weeded out. But the exodus of marginal firms from the industry will only serve to strengthen it.

Maximum efficiency through improved techniques, increased mechanization of operations, and new services to investors, may be achieved most readily by larger size firms. Some investors may find it advantageous to consolidate their business among fewer servicers. This would permit centralized record keeping, less audit work, and generally lower home office costs. Larger and fewer firms may result from continued company growth or from the merging of two or more firms. Developments along these lines have already become evident. An interesting speculation is the possibility of nationwide branch mortgage banking. There are no regulatory obstacles in the way of such a possibility so long as minimum capital requirements under FHA regulations are met.

The years ahead, then, may see some reduction in the number of mortgage servicers, and the emergence of larger firms operating over a wider geographic area. Strengthened capital positions may accompany growth. There will still be a basic place for the smaller, efficient servicer, well capitalized, and able to utilize modern techniques to provide maximum service for investors. Competition will be vigorous, however, and the small firm may be hard-pressed to keep up with the efficiencies of operation inherent in large-scale enterprise.

Not only will competition intensify but it is apparent that the industry will face increasing competition from other types of institutions expanding their activities in all sectors of the mortgage market. It is somewhat of an anachronism, perhaps, that at a time when the supply of mortgage funds may have come into balance with demand—if only temporarily—that interest in mortgage investments has accelerated. Nonetheless, evidence suggests that increasing interest in the business is being shown by other types of financial institutions, especially commercial banks and savings and loan associations.

Now that corporate pension funds have at last shown significant interest in mortgages as an investment medium it is clear that the mortgage industry will not have this field to itself. Not only commercial banks but also savings and loan associations are striving to share in this potential new business. Recent proposed changes in Federal Home Loan Bank Board regulations would permit savings and loans to sell and service loans for pension funds and other investors.

Savings and loans have always been a major source of competition, largely in the conventional home mortgage loan market. No doubt it will continue. While it has been limited essentially to local markets, in recent years associations have been able to expand their operations to national secondary markets through the technique of participation loans. This technique enables all associations to participate in loans originated in any part of the country. At the same time local associations are able to originate a larger volume of business than they otherwise would. Thus, small savings and loans can service builders and borrowers more effectively than their now limited resources would permit. While the program is oriented mainly towards conventional loans there has been some savings and loan participation activity in FHA and VA loans as well.

It is clear, therefore, that this relatively new savings and loan participation program increases competition at both the local and national level. Participation loans have expanded greatly since their inception less than four years ago and are likely to expand considerably further.

Thus, it is apparent that competition from within and without the mortgage banking industry will intensify in the years ahead. The problem is the greater obviously if the supply of mortgages available in this increased competitive atmosphere is relatively less than in other recent years. The industry's ingenuity will be taxed to maximize efficiency, expand and improve services, and perhaps broaden the area of operations beyond the mortgage market.

Apart from other considerations, mortgage bankers must, in this intensely competitive economy, solidify their relations with investors by finding solutions to their basic mortgage problems. Their problems are your challenges, for if not solved satisfactorily, new techniques of mortgage acquisition or different types of mortgage investment will be sought which may ultimately reduce the function of mortgage banking as we know it today.

Among the more vexing problems faced by mortgage investors is the long and uncertain time lag between mortgage commitment and acquisition. This is not a new problem, but age has not reduced its significance. Financial institutions often find it difficult to coordinate mortgage fund disbursements with cash flows. This problem has become particularly acute

in mutual savings banking as a result of the increased volatility of deposit inflows. Even before the impact of the Magic Fives in October 1959, the problem of coordinating mortgage commitments and acquisitions with cash flows was pressing. This problem continues to be a major one in savings bank mortgage operations. For savings banks and for other institutional investors, cancellations as well as lags complicate investor planning operations and are costly as well as irritating.

Is there anything that mortgage bankers can do to reduce the uncertainties of time lags and cancellations and fill the need for immediate mortgage deliveries? Perhaps one possibility for faster delivery of completed loans is to assume part of the responsibility for initiating loan commitments to builders. When building has progressed substantially, completion time will be somewhat easier to judge and the lag between investor commitments and final delivery will be reduced, and perhaps more important, will be less uncertain.

Obviously if mortgage bankers are to make commitments on their own responsibility they will need to strengthen their capital position. I have written and spoken before, as have others, on the advisability of increased capital for mortgage bankers and have recognized the difficulty of achieving this goal. But if competition in mortgage markets is to increase, this need may be greater than ever. For with a strengthened capital position the fundamental and giant step of assuming more of the underwriting risk in mortgage financing may be taken. You will then be able to carry mortgages through to completion and build up a larger uncommitted inventory. Admittedly such a market position introduces new risks to mortgage banking —but risk taking is the cornerstone of American enterprise.

In the mortgage field today there is no true counterpart of the investment banker who assumes an underwriting risk in originating security offerings to permanent investors. I realize that a crucial problem here is one of timing in that there is a much greater time lapse between the origination and sale of a mortgage than between the origination and sale of a bond. This timing problem is one that gives rise to great risks. There are no pat answers for this problem; it requires deliberate and careful study.

Some of the larger mortgage companies have already been able to assume more of the underwriting risk and operate with inventory available for immediate delivery. There is some evidence that others are moving increasingly in this direction. The advantages of having an inventory of mortgages ready for immediate delivery are obvious. Investors would look to you for their current purchases as well as future acquisitions based on current commitments. Their dependence on FNMA would be lessened as market shifts favored immediate mortgage investments. Broadening services and facilities for investors would enhance your value and thwart outside competition. The fact is that if mortgage bankers are unable to fill the need for a ready supply of mortgages, other types of institutions will do so increasingly.

Many new techniques have been developed over the years to better coordinate the flow of investor funds with the availability of mortgages. The use of standby commitments, and various forms of "warehousing," however, do not lessen the need, in the long run, for mortgage bankers to improve their capital position and assume more of the underwriting risk. If capital is, indeed, increased then the risk of uncommitted inventory will be lessened and interim financing will become more readily available without the further collateral of firm investor commitments.

Another delicate question that has come in for increasing discussion among investors and mortgage bankers concerns servicing fees. Clearly the question of service fees is related directly to maximization of efficiency and is intensified in the kind of competitive economy envisioned earlier. The question can be answered satisfactorily only on the basis of careful empirical study. I was delighted to learn that your industry had decided to launch a study of this and related matters by some impartial, respected, research organization. I hope that this study proceeds full speed ahead.

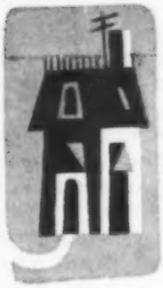
Quite apart from techniques of meeting increased competition within the present framework of mortgage company operations, the question arises of the feasibility of broadening or diversifying your activities to better withstand new competitive forces. Broadening may, of course, be achieved in many ways, by expanding into different mortgage areas, by developing new types of investors, by entering more actively into related real estate and construction activities, and by expanding into other sectors of the capital market.

Many have already broadened their operations in one direction or another. But others have decided to continue a more specialized type of operation. This, I think, is one of the more important decisions you will have to face in the new competitive economy, whether you can compete effectively as a highly efficient specialist, or whether you will do better by diversifying.

On an aggregative basis it is well known that mortgage companies have concentrated their activities in the federally underwritten sector. My study, "The Postwar Rise of Mortgage Companies" showed that in recent years 8 out of every 10 loans mortgage bankers closed and sold were federally underwritten. Unfortunately, no industrywide information is available on the composition of mortgage loan closings since 1956, the last year for which data were included in my study. I would regard it as highly important for your industry to develop basic and continuing data on the nature and characteristics of your operations, because far too little is known about the current activities of mortgage companies.

Continued dependence on VA and FHA mortgage flows has made your industry a feast and famine industry because of the widely fluctuating availability of funds. These funds will continue to be volatile so long as the federal government maintains its unrealistic policy of inflexible interest rates on VA and FHA mortgages in the face of flexible monetary policy and free interest rates on other capital market securities. This whole question of competitive yields has led some institutional investors to turn increasingly to conventional loans—non-residential as well as residential. Life companies in particular, your best customers, have found such loans well suited to their needs. It is obvious, therefore, that if mortgage bankers are to retain their volume of business,

(Continued on page 35)



Housing and t

the market is just so big and a

DURING the past nine years, non-farm housing starts have averaged 1,200,000 a year (using the old series), or about 1,300,000 a year on the basis of the revised series.

Of these 1,300,000 new units, about 250,000 have been needed to replace older houses which have been demolished. Another 200,000 a year has been needed to offset the rise in vacancies in older, existing housing. The remainder—about 850,000 starts—has been needed to house the net annual increase in households.

During the next few years, from 1961 to 1963, the rate of demolition of existing housing will undoubtedly rise somewhat, but the increase in vacancies in existing housing will not be as great as has been the case in recent years. The net result will be that replacements and vacancies will continue during the next few years to account for about 450,000 of the total demand for new non-farm housing units.

Whether total potential demand rises or falls will thus depend on what happens to household formation.

Although household formation has averaged 850,000 a year during the past nine years, this does not mean that there has been a net increase in families or separate individuals amounting to 850,000 a year. A part of these new households have occurred as the result of the splitting up, or undoubling, of families or individuals who previously had lived together as one household. In some recent years, undoubling has accounted for from 200,000 to 250,000 of total household formation. The reason why this is particularly significant for the future is that the trend in undoubling has been steadily downward—that is, we have been steadily solving the housing shortage which existed in the immediate postwar years, so that fewer and fewer families have been doubled up in cramped quarters.

This means that in the years ahead we will *not* be able to rely on a substantial demand arising from undoubling; household formation must arise almost entirely from the actual net increase in families or separate individuals.

During the period 1961-63, there is likely to be only a very small increase in the rate of family formation in the United States. There will be an actual decline in the number of families with a head aged 30-50, the age group most likely to purchase a single-family home. There will be some rise in young married couples, but this increase will be moderate because the population group now coming to marriageable age is relatively small, reflecting the very low birth rate of the 1930's and the fairly low birth rate during World War II.

It will not be until 1965 that the bumper postwar baby crops will reach marriageable age. In addition to the small increase in family formation, there will be a substantial increase, both in the number of the aged maintaining their own households and in the number of young single persons maintaining separate apartments.

Unfortunately, the decline in the rate of undoubling is likely in the next few years to offset a good portion of the increased demand for housing arising from young single persons and persons over age 65. A realistic and objective analysis of housing demand in the period 1961-63 suggests that there will be only a very small increase above the average level of the past nine years. Household formation will rise moderately, vacancies in older units will contribute somewhat less than in the past, and demolitions will rise slowly but steadily.

My estimate is that potential housing demand in the period 1961-63 will average 1,350,000 non-farm units per year, compared to about 1,300,000 units per year in the period 1952-60.

I have described this prospective demand of 1,350,000 units a year as the "potential" demand. By potential demand I do not mean a wishful estimate based on some dreamer's notion of what we "need" in housing. It is my view that *actual* housing demand will in fact average 1,350,000 units a year during this period. I have used the word "potential" only to indicate that this potential demand need not come into the marketplace at an even pace during the coming three years.

One year may see somewhat more, and the next may see somewhat less, in actual market demand. Whether 1961 will measure up to the average will depend on whether business and the mortgage market is conducive to the conversion of potential demand into real market demand.

Let's turn, therefore, to the business outlook and then to the mortgage market outlook.

The current mild decline in the output of the U.S. economy is likely to be halted by the end of the first quarter, and business activity will begin to rise during the second quarter. Thereafter, the tempo of business activity will accelerate steadily, and will

the Money for It

a forced draft expansion can be dangerous

There was a time not too long ago when about the most difficult statistics to come by were how many houses would be built during a given period, what kind and at what price, what was the actual demand, etc. Not so any longer; with data now available it is possible to pinpoint with a satisfactory degree of accuracy just what the market is, its size and its characteristics and those who comprise it. That's true today—but there is one factor in the picture now for which little in our past experience will be helpful in gauging the future. It is the factor of government: will it move the building industry into a period of forced draft residential construction aided by all sorts of special props? Mr. McKinley has taken a careful look at some of the recent proposals along this line—which include a very low subsidized mortgage interest rate—and makes the point that, in the long run, action of this kind will do more harm than good.

enter the beginning stages of a real boom by the end of the year.

There are at present two main downward forces at work in the economy—declining business capital expenditures and liquidation of business inventories. Business capital expenditures reached a peak about the middle of 1960, fell by a small amount in the closing quarter of last year, and are dropping by a somewhat larger amount in the current quarter.

There are a number of reasons for believing that the decline in business capital spending will not be long-continued nor drastic in amount.

▶ First, we did not experience in 1959 and 1960 the sort of all-out capital goods boom which, during prior business cyclical movements, led to a subsequent severe cutback. Even at the peak of the recent rise, capital expenditures were not unduly high relative to total national output.

▶ Second, the proportion of capital spending which is for replacement rather than expansion is growing. Replacement expenditures are less vulnerable to swings in business psychology than are expansion expenditures.

▶ Third, greater competition both at home and abroad and the upward push of labor costs is forcing more rapid adoption of labor-saving machinery. Businessmen simply cannot afford to reduce expenditures for research, innovation, and modernization.

▶ Finally, heavy construction contract awards, which precede actual construction expenditures, have remained strong and give no indication of a drastic reduction in the construction side of capital expenditures.

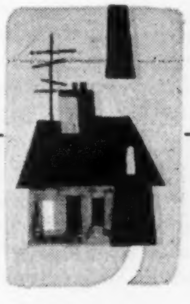
For all these reasons, it is likely that capital expenditures will fall by no more than 6 per cent—compared to a decline of almost 15 per cent in 1958—and that the cut-back will be completed by the second quarter of this year.

Similarly, the other main downward force—inventory liquidation—will not reach severe proportions and will soon be completed. Much of the needed inventory adjustment was accomplished last year and, except in a few lines, inventories at present are not unusually high relative to sales. My estimate is that the second quarter will see the end of inventory liquidation, and there is likely to be a small amount of inventory building by the fourth quarter.

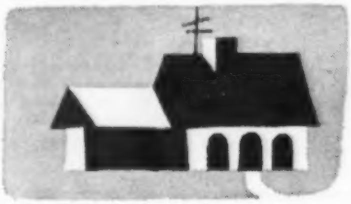
While declining capital expenditures and inventory liquidation will

By GORDON W. McKINLEY

Executive Director, Economic and Investment Research, Prudential Insurance Co.



hold down output during the current quarter, there are already forces at work which will over-ride these two deflationary sectors in the months ahead and which will turn the economy sharply upward during the second half.



Residential construction can't economically be increased above the sustainable demand

Exports are strong and becoming even stronger. Consumer expenditures are being maintained in the face of the current rise in unemployment. Finally, government expenditures—state and local as well as federal—are moving steadily upward. The total of all kinds of expenditures will rise in the second quarter, with gross national product advancing by about $3 billion. GNP is likely to jump ahead about $9 billion in the third quarter, and will add another $12 billion in the fourth quarter. By the end of this year, national output will probably be running at an annual rate $25 billion above the low point reached during these opening months.

Although I expect a strong recovery during the year, I think it is important to recognize that by year-end we will still not have absorbed the growth in our labor supply nor will we have pushed our capital plant to its most efficient operating rate.

In other words, the economic picture will be one of brisk recovery, yet with continuation during the year of a substantial amount of slack, or unused capacity.

This brings us to the last aspect of the housing picture—the likely flow of long-term loanable funds and the degree of ease or tightness in the mortgage market. There will be a moderate increase in 1961 in the supply of long-term loanable funds.

Life companies, savings and loan associations, mutual savings banks, pension funds, and commercial banks will all have a slightly larger cash flow than in 1960.

The increase in commercial bank reserves will not be large because the Federal Reserve is acting under the constraint imposed by the deficit in our balance of international payments.

The increase in the assets of savings institutions will probably not exceed 5 per cent. In addition, it should be noted that these institutions no longer have a large supply of government securities which in earlier years permitted them to augment cash flow available for mortgages by selling governments. Although there will therefore be no drastic change in the flow of long term funds, it is nevertheless true that the total supply of long term funds will be moderately higher in 1961 than in 1960.

Moving to the demand side, there will be some borrowing segments which will probably absorb a smaller volume of funds than in 1960. Corporate demand for funds is likely to be slightly below 1960, and consumer finance companies are likely to have less need to tap the long term market.

On the other hand, state and municipal government borrowings will remain high, and the federal government will exert a markedly tightening effect on the capital market as it moves from a surplus position in 1960 to a deficit position in 1961.

Outside the mortgage market, the rise in government borrowings is likely to approximately offset the decline in private borrowing so that total nonmortgage demand will remain about equal to last year.

If the supply of long term funds in 1961 is likely to increase moderately, and the demand for nonmortgage funds is likely to remain about the same as in 1960, it might be assumed that the mortgage market can count on being the beneficiary of these available funds. This assumption is correct, *provided* that the government does not take some ill-considered step designed to lower interest rates in the mortgage market to the point where they are no longer competitive with other investment avenues. The mortgage market is already beginning to benefit from an increased flow of investable funds. Money is becoming increasingly available, and mortgage rates are easing moderately in accord with other long term rates.

Provided the government allows this natural process to continue, I am convinced that plenty of mortgage funds will be available at attractive rates during 1961 to permit the rate of housing starts to rise by mid-year to the 1,350,000 unit level which I have estimated as the basic, sustainable demand at present.

Unfortunately, there are some indications that certain elements in government will not be satisfied with an increase of 6 or 7 per cent in housing starts during 1961, but are bent on encouraging a rate of residential construction substantially above the sustainable demand. For example, a report recently prepared for President Kennedy advocates forcing a high rate of residential construction as an antirecession measure. This report admits that the demand for housing at present, and during the next several years, will not warrant a marked increase in housing output. But, says the report, "so great is the need for housing a few years from now when the wartime babies move into the house-buying brackets and so useful is the stimulation that a resurgence of housing could bring that it would seem folly not to make a determined effort in this area."

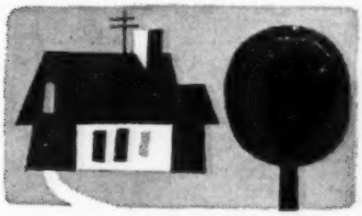
In other words, demand will not support a marked rise in housing output at present, but after 1965 we probably will need the houses, so we should build them now.

This is a rather interesting idea, but it seems to me that both builders and mortgage lenders should ask at least two questions about such a program:

▶ First, who is going to carry the vacant houses until 1965 when it is hoped they can be sold?

▶ Second, is it not possible that some rather serious mistake could be made regarding the type of housing which will be needed five to ten years from now—its location, its design, its appropriateness for the particular age groups which may constitute the demand in the future? If such mistakes are made, who is to pay for them?

The report goes on to state that there are many different ways of encouraging this overbuilding. For example, the report suggests that "mortgage rates might be brought down to, say, 4½ per cent interest, with discounts on mortgages correspondingly reduced." Here again, a few questions are appropriate.



Subsidized low rates for building may mean that government is only lender in the field

First, of what advantage is a 4½ per cent mortgage if the house cannot be sold? I doubt that there are many builders who could be persuaded to build today for the market in the years after 1965, simply because 4½ per cent money was available.

Second, would a 4½ per cent rate on mortgages in 1961 increase the flow of money to the mortgage market?

The effect would be a most drastic cutback of mortgage money. The mutual life insurance company with which I am associated is vitally interested in the housing market. But we also have a responsibility to our millions of policyholders to secure the best possible return on our investments. We therefore could not possibly justify investing in the mortgage market at 4½ per cent, when corporate loans are yielding 6 per cent. A 4½ per cent rate in the mortgage market would leave the government as the only lender in this field, and would result in a most severe cutback in residential construction.

It seems to me that, particularly during the years immediately ahead, it is the responsibility of builders and lenders to think through carefully the implications of proposals such as those I have quoted from this report.

Will it really be to the advantage of the housing industry and the economy to encourage a dramatic surge in homebuilding far exceeding any reasonable estimate of sustainable demand?

Is it to the advantage of builders and construction workers to stimulate violent surges in homebuilding if these must inevitably be followed by sharp declines as vacancies rise?

Are there more sensible areas for government efforts to anticipate the housing needs of the late sixties—for example, extensive slum clearance now to provide the land area on which future houses can be built?

When we come to the question of pegging mortgage rates below the market rate, it seems to me that builders and construction workers should realize that home prices and wage rates can be pegged as well as interest rates. If government is to provide the funds for the building industry at a subsidized rate, it obviously has the responsibility to see that home prices and wage rates do not rise so as to defeat the subsidy.

Builders and the building trades unions ought to think through carefully the implications of further government intervention in the housing industry.

It seems to me that a sound approach to the housing question should begin by recognizing that:

▶ During the next few years the demand for new housing in the United States is unlikely to average more than 1,350,000 units a year.

▶ The traditional sources of mortgage money will supply a volume of funds sufficient to finance 1,350,000 units in 1961.

▶ An attempt by government to push construction substantially above that level will either be unsuccessful or, if successful, will result in serious vacancy rates, widespread builder failures, and a subsequent sharp cutback in output accompanied by unemployment in the building trades and in the building supply industries.

▶ Forced draft residential construction will bring on again the upward spiral in housing costs and home prices, and will price still more families out of the new home market.

▶ The building industry is too important an industry — both in itself and because of its influence on many other industries from building supplies to home appliances—to be used as a political plaything.

I suggest that spokesmen for the building industry reject the old, unimaginative devices of still lower down payments, still longer maturities, and still more attempts to circumvent the allocating mechanism of the capital market. We need a new, imaginative, and practical approach by government, and I find wide agreement among those who have studied the housing question in the United States that the focus of that approach should be on slum clearance.

If the attention of government can be turned from outworn and increasingly ineffective gadgets to a real attack on the problem of our decaying central cities, the groundwork will have been laid not only for a more stable building industry in the years immediately ahead but for an effective response to the great surge in housing demand which we will experience after 1965.

Condensed from NAHB Convention address.

▶ Trend: For three-fourths of the nation, a vacancy level of 2 per cent or less was reported for single-family rentals during the last quarter of 1960, while the vacancy rate for multi-family dwellings was 3 to 9 per cent in more than half of the country, NAREB's semi annual survey shows. These figures are nearly the same as those resulting from a survey last spring.

Apartment rents were unchanged in 62 per cent of the nation, higher in 18 per cent, and lower in 20 per cent.

WHAT is the real pension market availability which may be captured for mortgages?

To the extent that pension fund administrators or their advisers have determined to invest a percentage of their funds in some form of equities, that portion of the pension market may be considered as permanently lost to this competitive investment alternative. In case of corporate trusteed pension funds, it is expected that in the coming years over half of pension

In a free society, a purchase depends upon the competitive attractiveness, real or fancied, of various alternatives. The objections or obstacles impeding the acquisition of mortgages may be broken down into two groups: Institutional in character; or Financial in nature.

The institutional hindrances to the acquisition of mortgages center around the character of the pension fund administrator or his trustee-investment adviser. The chief ones are:

MORTGAGE LOANS CAN BE SOLD TO PENSION FUNDS AND THE INDUSTRY WILL HAVE TO DO THE SELLING

monies will be pre-empted by common stocks. These funds have the most freedom and are aggressively managed with an eye to capital appreciation. With insured union and civil pension funds, common stocks will play a far less important role and will have a correspondingly larger fixed income component.

Without documenting why, it is my conclusion as a matter of investment policy, that mortgages might well constitute one-third to one-half of the fixed income component of a pension fund. Thus, it is seen that mortgages have not, in a competitive economy, achieved their "fair share" of the market to which they appear to be entitled.

Why has this oldest form of investment given ground?

- Limitations of trust indentures;
- Public relations aspects of foreclosures;
- Actual or imagined difficulties of doing business outside of the state;
- Personnel difficulties, lack of staff trained in mortgage servicing;
- Administrative problems—inertia of getting started;
- Competitive narrowing of trustee fees.

These factors have varying force according to the character of the pension fund or its administrative set-up. Nevertheless, none of them constitute a *fundamental* or inherent objection against the long-term development of a mortgage portfolio.

The hard cold facts of this pension fund matter run something like this: more and more pension funds are buying mortgages but the total they're buying and the total they hold is still peanut-small. More and more interest is developing with the prospect that it will be turned into sales later but hundreds of funds have still not been reached with The Mortgage Loan Story. The inescapable conclusion: the job has hardly begun, the big selling job is yet to be done and, says Mr. Howell, it's the mortgage industry's job to do it.

By PAUL L. HOWELL

Financial and Pension Fund Consultant

The qualitative financial reasons which are sometimes expressed as reasons for not acquiring mortgages are:

- Lack of competitive net yield from mortgages;
- Expenses due to delinquencies and foreclosures;
- Lack of "quality" of the mortgage loan;
- Lack of opportunity for capital appreciation.

With respect to the "substantive" aspects of mortgage loans, there is none which rules them out of consideration, as a class, except the lack of opportunity for capital appreciation. The fact that commercial banks, life insurance companies, and savings banks have alternative opportunities to buy other fixed income securities but do in fact buy large quantities of mortgages demonstrates that mortgages are competitive with publicly offered bonds or negotiated private placements. That is an obvious fact of the market place.

It is frequently helpful to observe a situation in concrete form rather than in abstract, overall generalities. Then let us examine a few funds.

▶ *TIAA:* Probably the most progressive and aggressive pension fund in the United States is that of the Teachers Insurance Annuity Association. Despite it being called an insurance company, Teachers is primarily a pension fund invested according to Section 81 of the New York Insurance Code. Approximately 55 per cent of its assets are invested in conventional and government-backed mortgages. Teachers, with over $700 million of assets, is one of the largest pension funds in the United States. In 1959 it earned a net of 4.14 per cent on its invested assets as compared with a 3.60 per cent for corporate trusteed funds as reported by the SEC, neither of which pay federal income taxes. In 1959, all U.S. life companies reported 3.96 per cent before federal income taxes. It is thus readily apparent that mortgages provide TIAA with a net yield which is competitively superior to alternative opportunities.

▶ *New York State Teachers:* New York State Teachers Fund has been active in the acquisition of mortgages and contrary to the practice of many pension funds they have not limited themselves to the purchase of federally-backed residential mortgages. They have been active in the acquisition of commercial income producing properties, particularly office buildings. One of their outstanding holdings is the $60,000,000 30-year fully amortized mortgage on the new Chase Manhattan Bank building, now nearing completion. Twenty per cent of this three-quarter billion fund is invested in mortgages.

▶ *N. Y. State Employees:* New York State Employees Retirement Fund, as of last summer, held $450 million in mortgages and construction loans which constituted 30 per cent of its invested assets. Holdings are concentrated in large FHA, Section 207, 213, 608, Title VIII loans, some for 50 years and exceed $25 million. Conventional mortgage loans were authorized by the New York legislature last spring. The newly authorized conventional loans are restricted to properties located in New York and adjoining states. As of last summer, over $150 million of mortgage commitments were "on the books." Neither size nor "forward commitment" is any problem to this organization. The management of these funds is under the direction of N. Y. State Comptroller, Arthur Levitt, who retains outside investment counsel.

Recently a private management consultant submitted a recommendation that the limit for equity holdings be put at 50 per cent of total assets. Equity purchases were authorized by the Legislature last spring for the first time, and a limit of 10 per cent was set, to be achieved by dollar cost averaging.

▶ *ILGW:* The International Ladies Garment Workers Union has been active in mortgages for some time. It now holds $65,000,000 in diversified real estate securities, FHA (203, 207 and 803) and VA, plus $15,000,000 equity in rental housing. It also has a $20,000,000 commitment in the redevelopment taking place just south of Penn Station on Eighth Avenue in New York. These real estate interests of $100 million comprise about 33 per cent of the total pension fund.

▶ *IBEW:* Similarly, the International Brotherhood of Electrical Workers has substantial holdings in the mortgage field. In stark contrast, The Amalgamated Clothing Workers have their $50 million pension fund invested solely in long-term U.S. government bonds.

Many industries are dependent upon

housing and building industry for their livelihood and prosperity, yet an examination of their pension funds shows no recognition of this self-interest. Many companies which are vitally dependent upon sales to building contractors, whether for lumber, plumbing, air conditioning, or other appliances, do not attempt to promote their own selfish interest through investing a portion of their pension funds, at least in the building and construction industry. Similarly, many trade unions keenly interested in the improvement of housing for their members or employment for their workers do not direct any substantial portion of their retirement funds into mortgages. In a few instances, carpenters' locals have done so. Owen-Corning Fiberglas, managed by Harold Boeschenstein, who addressed the 1960 MBA convention in Chicago, is an outstanding example of a company which has "seen the light." American Radiator and Standard Sanitary also buys mortgages.

▶ *Utilities:* Another industrial group vitally interested in home and housing formation from the point of view of additional sales is the utilities—electrical, gas and telephone. Almost without exception this large sector of the economy avoided the acquisition of mortgages in their huge pension funds. Among these is the Bell Telephone family of pension funds, which holds no mortgages out of a combined $3 billion fixed income portfolio. Utilities constitute a real sales challenge to the mortgage industry.

▶ *State and Local:* An outstanding opportunity lies in the State and Local Retirement Funds. One particularly forceful reason is that these funds are less apt to buy common stocks and thus have a larger percentage of their funds in fixed income securities. Furthermore, being governmental agencies they are prone to be favorably disposed to governmentally-backed investment instruments.

A fairly typical example, except for the size aspect, is that of the California State Employees' Retirement system, which now holds more than $1.2 billion of assets, none of which is invested in mortgages or in stocks.

Last summer I was retained to make an investment review and policy recommendations to this Fund. Among other things, I recommended 25 per cent of the funds be put into common stocks, and 20 per cent to 25 per cent, or approximately one-third of the fixed income component, be placed in mortgages. If this recommendation were implemented, this would require, taking into consideration future growth, the purchase of $75 million of new mortgages each year for the next ten years. When reinvestment of the amortization is taken into consideration, the gross amount of mortgages to be acquired might well run to $3 million or $4 million a week by the end of the 1960s. This figure should be increased by 50 per cent to take into consideration the investments of the California State Teachers Fund, which is about half the size of the Employees Fund. When I presented my recommendations in Sacramento I was amazed to learn there had been no legal determination as to whether the Fund was authorized to buy mortgages or not, a matter which I am confident I can answer in the affirmative after reading the statute. The lack of ascertainment of the legality of mortgage investment is all the more surprising in view of the fact that this System has been in operation for 30 years. And I need not tell you that mortgage money has been in short supply in California for some time. I can come to only one conclusion: you MBA people, individually and collectively, are not on your toes and are missing a great opportunity.

A similar situation exists with respect to many other State and Local Retirement Systems, which aggregate $20 billion but hold less than 5 per cent in mortgages. The reluctance of governmental pension funds to invest in the common stocks of private industry is quite understandable but the reticence to buy government-backed mortgages, which are so vital both to individual citizens and to the general economy, is completely incomprehensible.

This constitutes a lack of appropriate (I do not say aggressive) merchandising and packaging. You cannot expect pensions to search you out. If not statutorily empowered to buy mortgages you can get the law liberalized. Look how so many housing laws have been passed during the past 20 years!

▶ *TVA:* The Tennessee Valley Authority has 7 per cent of its pension funds invested in real estate mortgages, mostly VA. On the other hand, the Retirement Systems of the Federal Reserve Board and banks hold a large amount—35 per cent—of government bonds while owning only $1 million

▶ *"You must first sell your general product, i.e., the suitability of mortgages for pension funds. Next, you must sell your own firm, and then lastly, the particular mortgages you have coming off the construction line. Too often pension administrators are approached as a last resort when money is tight. Consequently, you cannot blame a trustee for putting up sales resistance when he has the feeling that the mortgage originator is merely feathering his own nest, trying to sell something he can't get rid of in his old trade channels. What is needed is a series of objective, disinterested, studies carefully tailored to the rather unique needs, requirements, and attitudes of different types of pension situations. Industrial companies and their trustees, public utilities, union organizations, and civic groups have different problems."*

of government-backed FHA's, or one-half of 1 per cent of its $200,000,000 portfolio.

What is needed is an aggressive campaign by MBA members, individually and collectively. It is well known that pension funds started off small, with investment in fixed income bonds, with only a few mortgage exceptions. They have continued in this groove through administrative and personnel inertia. MBA members cannot afford to wait until they shake off their lethargy. Some of it requires an educational process, which if not stimulated might require a decade or more.

It is up to MBA members to seize the initiative and overcome these obstacles. It is not enough to publish learned articles in THE MORTGAGE BANKER. They seldom reach the pension audience. The time to dig in and establish a beach head in the pension area is not when money is tight and mortgages plentiful as of a year ago, but now when there is active competition for them and the need for pension purchasing has abated.

The success of the insurance companies in this field has been their long-term outlook and their recognition of the need for a real partnership with correspondents. Pension fund administrators have not acquired this long-term viewpoint nor are they likely to acquire it without substantial stimulus from you people. What is needed is both a hard and a soft sell.

As was so succinctly stated by MBA member James W. Rouse:

"Pension funds, for the most part, are administered by people without previous experience in mortgage financing. The administrators have been drawn almost entirely from the investment field. It is simpler to invest in stocks and bonds than in mortgages; less home office staff is required and when the individual funds are small, as most of them are at the outset, there is no pressure to reach out into unfamiliar investment fields . . .

"Resourceful selling by mortgage originators and increased experience with mortgages will revise the attitudes of the pension administrators. As soon as a few major funds are investing heavily in residential mortgages others will follow. This aspect of the problem is largely a matter of timing, and . . . it soon will be overcome."

As an example of the need for selling the concept that investment in mortgages can be fun and profitable is your relationship to State and Local Retirement Funds. Last June I attended the two day Annual Conference of the Municipal Finance Officers Association of America who administer $20 billion of pension funds alone. There were two panels devoted to pension investing. No one there represented mortgages. There was a 15 minute discussion of Capeharts.

More recently I participated in the two day Conference of Protestant Church Pensions at which $900,000,000 was represented. I was the only person who had anything to say, good or bad, about mortgages.

The new Real Estate Investment

(Continued page 30, column 2)

What's Wrong with U

URBAN renewal—the current "catch-all" phrase for expressing our efforts toward renewing and rebuilding our urban areas—was once considered the exclusive province of the esoteric planner — in the main, trained as architects, and emphasizing in our earlier urban renewal programs the single element of *physical planning.*

During the last few years there has been a growing awareness among the business community that urban renewal is more than just physical redevelopment; it is also good business. *Economic and civic improvements,* in addition to physical redevelopment, are basic considerations today; and a comprehensive urban renewal plan requires the team work of not only architects, but economists, engineers, public administrators and builders.

Despite the broadened scope of our urban renewal planning, we can still be considered fumbling pioneers if we compare the scale of our efforts with the scope of the problems these efforts are intended to resolve. Consider New York City, the largest urban center, and where the State has invested most of its housing and community renewal resources. It has:

The largest public housing slum clearance program in the country.

The largest, and (despite criticism of several projects) by far the most successful Title I urban renewal slum clearance program.

A pioneering State and City-financed program to aid private builders with low-interest mortgage loans for middle income housing.

A consolidated housing and Title I urban renewal program under one agency.

A revitalized City Planning Commission which has embarked on total planning by area or neighborhood under the community renewal provisions of the National Housing Act.

A $52,000,000 garage construction program in the business center of Manhattan.

These efforts represent a massive attack on the urban renewal problems of the country's largest urban center, expenditures of private and public funds in the billions, renewal of thousands of acres of city slums, generally improved business conditions, and increased tax revenues to the City.

Yet, the maximum potential of this massive program probably will not be realized because the program lacks an *essential* element: an effective transportation plan. 3,300,000 persons en-

In New York, our "program lacks an essential element: an effective transportation plan . . ."

h Urban Renewal?

one thing: some inept planning in the past

ter Manhattan daily, almost 2,500,000 of these by public transportation that is far from adequate. Sleet, snow, heat and rain stay all but the postal workers from the swift completion of their appointed rounds, and newspapers carry regular boxes under the head "Why you were late today."

The 800,000-plus persons that arrive in Manhattan daily by private cars, taxis and trucks represent only one-quarter of the daily travelers to the heart of the City, but they cause almost all the street congestion. The solution proposed at present is more parking in the center of the City. Experience elsewhere has shown that additional parking brings additional congestion and commercial stagnation.

The trip from Newark Airport to the center of Manhattan, a distance of 13.5 miles, can be made by public transportation at the rush hour in one hour and thirty minutes, or about one-sixth of a mile a minute. A hundred years ago a horse and buggy could travel the same distance in one hour and seventeen minutes, or just a little faster. So much for progress.

Victor Gruen, the country's outstanding planner of large urban and suburban shopping centers, has analyzed New York City's parking program and is convinced that the direct gain in retail sales in the center of Manhattan would be only a fraction of the $100,000,000 a year that the garage planners anticipate. The intent to provide a place to park is laudable, but the economic objective is unrealistic. The answer is not more parking to attract more cars into the center of the City. The answer lies in more parking at the *periphery* and, most importantly, improved public transportation into the center core.

This particular situation represents only one aspect of urban renewal; but it should demonstrate in a concrete way the need for a comprehensive approach. It may show how the lack of an adequate long-range view and proper coordination in planning public improvements not only will not restore an urban core, but, conversely, can ultimately destroy the economy of the entire urban area.

Another "new concept" in urban renewal requires not only comprehensive planning for redevelopment, but comprehensive planning for conservation as well. Rehabilitation of existing housing is an aspect of conservation that must be undertaken on a vast scale as part of our urban renewal efforts. An effective financing device

There are more things wrong with urban renewal than could be detailed in five complete issues such as this one—and the most knowledgeable admit that. But there's one very big thing that is right about it: the general acceptance that no more important economic problem faces the country today, a problem that must be solved and, further, that we have delayed long enough in coming to grips with it. Actually, many of the things that plague urban renewal are matters which have had to be learned by experience; and now that we know, a better job can be done in the future. Even in New York, where naturally the greatest effort has been made, some gigantic problems await a solution.

By JAMES WM. GAYNOR
New York State Housing Commissioner

exists under Section 220 of the National Housing Act, provided a more imaginative and effective administration of the Section can be brought about. David Walker, the outgoing Urban Renewal Commissioner, recommended income tax benefits for home owners as a means of creating customers for a new industry to develop competent, all-around conservation and rehabilitation contractors.

The third "new concept" in urban renewal is the general recognition that a basic need in our urban areas is an expanded housing inventory—an inventory that will emphasize housing for middle-income families. Too late have we witnessed the results of piecemeal planning that has produced a concentration of low-rent subsidized public housing and a spate of so-called luxury housing for high-income families. The effect now so readily apparent brought about the exit to the suburbs of middle-income families, the prime element of our urban society.

My recommendations are:

▶ Urban renewal programs must be broadened, not only in the physical area covered, but in the scope of planning. Specifically, the Federal Title I program should require a comprehensive area plan, in greater detail than at present, as a condition of assistance for even a small urban renewal project that lies within the greater area. This would assure that overall area needs had been considered, and that a given project is a part of a long-range program and not, as at present, a neighborhood renewal plan not necessarily related to the larger area's needs.

▶ In broadening our urban renewal plans, rehabilitation and modernization of existing housing must be emphasized as well as the construction of new housing. We must prevent the economic waste that results when residential areas decay, real estate tax returns decrease, and capital improvements such as schools and utilities are under utilized while others must be built for new housing elsewhere.

▶ We must recognize the prime importance of retaining our middle-income families in our urban areas. To continue to exclude them from our re-use programs will be fatal to our urban economy.

▶ Finally, we must develop more participation of the entire home building industry in urban renewal.

PENSION FUNDS

(Continued from page 27)

Trust Act of 1960 represents another packaging device which may prove helpful in merchandising your product and streamlining its administration.

You must first sell your general product, i.e., the suitability of mortgages for pension funds. Next, you must sell your own firm, and then lastly, the particular mortgages you have coming off the construction line.

Too often pension administrators are approached as a last resort when money is tight. Consequently, you cannot blame a trustee for putting up sales resistance when he has the feeling that the mortgage originator is merely feathering his own nest, trying to sell something he can't get rid of in his old trade channels.

What is needed is a series of objective, disinterested studies carefully tailored to the rather unique needs, requirements, and attitudes of different types of pension situations. Industrial companies and their trustees, public utilities, union organizations, and civic groups have different problems.

New Members in MBA

Regular Members:

ARIZONA, *Phoenix:* Hebbard & Webb, Sterling Hebbard.

CALIFORNIA, *San Jose:* Robert E. Dakan Company, Robert E. Dakan, president.

CONNECTICUT, *Bridgeport:* People's Savings Bank-Bridgeport, S. W. Hawley, president; *Hartford:* Mechanics Savings Bank, Thomas J. Kelleher, vice president.

FLORIDA, *Fort Lauderdale:* The First National Bank in Fort Lauderdale, Carl D. Jackson.

GEORGIA, *Atlanta:* Pine State Securities Corporation, Stewart R. Robinson, president; *Columbus:* The Georgia Company, E. D. Murphy, vice president.

HAWAII, *Honolulu:* Bishop Trust Company, Ltd., Griffith R. Conradt, assistant treasurer.

IDAHO, *Idaho Falls:* Utah Mortgage Loan Corporation, Don C. Archibald, assistant vice president and manager.

ILLINOIS, *Springfield:* The Illinois National Bank, E. F. Sommer, assistant vice president.

INDIANA, *Columbus:* Irwin Union Bank and Trust Company, David E. Hiatt, assistant vice president; *Indianapolis:* Louis S. Hensley.

IOWA, *Sioux City:* First National Bank in Sioux City, H. H. Strifert, vice president.

LOUISIANA, *Shreveport:* Allstate Investment Corporation, Edwin Jones, president; Aulds, Horne & White Investment Corporation, L. O. Aulds, president; *Monroe:* First Fidelity Mortgage Company, Jamar W. Adcock, executive vice president.

MASSACHUSETTS, *Greenfield:* Greenfield Savings Bank, Sidney W. Parsons, treasurer.

MICHIGAN, *Detroit:* The Michigan Bank, L. R. McElhone, vice president.

NEBRASKA, *Omaha:* N. P. Dodge Company, Miss B. Q. McKinley.

NEW JERSEY, *Dover:* The Dover Trust Company, William B. McCarrick, mortgage officer; *Elizabeth:* The National State Bank, J. Kenneth Boyles, vice president; *Newark:* Bank of Commerce, Frederick C. Stobaeus, assistant vice president.

PENNSYLVANIA, *Philadelphia:* Philadelphia Life Insurance Company, Medard K. Kalick, manager, mortgage loan department.

PUERTO RICO, *San Juan:* Housing Investment Corporation, John D. Yates, president.

TEXAS, *Fort Worth:* Hughes Investment Corporation, T. W. Farwell, vice president.

VIRGINIA, *Arlington:* Clarendon Trust Company, E. F. Sherwood, vice president.

Limited Members:

CALIFORNIA, *San Diego:* Land Title Insurance Company, Thomas A. Clarkson, president.

NEW YORK, *New York:* Charles F. Noyes Company, Inc., W. F. FitzGerald, vice president; Property Securities Corporation, Frank G. Wilson, Jr., president.

TEXAS, *Fort Worth:* Houston Fire and Casualty Insurance Company, John E. Curtis, assistant vice president.

Associate Members:

CALIFORNIA, *San Francisco:* Kansas City Life Insurance Company, Rex Darby, loan supervisor.

GEORGIA, *Atlanta:* Benny L. Irvin.

IDAHO, *Twin Falls:* Utah Mortgage Loan Corporation, James S. Hall, assistant vice president and manager.

MISSOURI, *Joplin:* Charles F. Curry and Company, Dale Dickson, manager-assistant vice president.

NORTH CAROLINA, *Fayetteville:* Aiken Loan & Security Company, J. Ed Poole, manager.

OHIO, *Columbus:* The Valley Mortgage Co., Irvin Y. Lichtenstein, vice president and manager.

OKLAHOMA, *Oklahoma City:* Charles F. Curry and Company, Don Herrman, branch manager-assistant vice president; Lumbermen's Investment Corporation, H. L. Bernauer, branch manager; *Tulsa:* Friman-Gentry Mortgage Co., Inc., W. C. Friman, executive vice president.

TEXAS, *Lubbock:* Lumbermen's Investment Corporation, Shedrick E. Jones, manager.

President's Page

An Open Letter to Walter C. Nelson

Dear Walter:

It was an inspiring experience for me, and for the mortgage banking industry of which you and I are proud to be a part, to witness the magnificent way you planned and directed the Housing Section of the recent White House Conference on Aging. The Conference itself was a highly significant and important event—the most graphic and telling evidence possible that we are living in a really new era with very new problems; and certainly the housing part of the problem of the aging is as vital as any other.

Robert Tharpe

Important as all this is, particularly the housing problems posed, mortgage bankers have been deeply impressed that it was a mortgage banker who was named to head the Housing Section and that he came well equipped to do the job in the most capable and competent manner. To say thanks, to pass along the compliments and congratulations of myself and mortgage banking is what prompted this open letter. We do congratulate you, Walter, because it was a real accomplishment. You have given our industry increased stature; and, as for your own, you have again confirmed what your associates have always known it to be.

In your Statement of Policy summarizing the conclusions of the Housing Section, I noted the repeated references to mortgage bankers in accomplishing the great tasks that lie ahead—but I also noted that many of these were in connection with *responsibility*. I was glad to see it stated that way because mortgage bankers, just as every other segment within housing and housing financing, do have a definite and clear responsibility for realizing that (as your report well put it) "there must be a realistic recognition that housing for old people is a relatively new, challenging and an unusually complex field." This problem *is* as new as any today, it *is* as important as any in the whole framework of housing and it *is* one that this nation must meet head-on and solve. What was done at the White House Conference is the first effort ever made, I believe, to actually point the way to go, what will have to be done and how we can hope to reach the necessary goals. Again, I think your report states it well when you say that every effort must be made "to insure that (A) the needs of the aged can be incorporated automatically in all community planning, including urban redevelopment projects, (B) local zoning laws and building codes can be revised and adjusted to eliminate inhibiting red tape, to clear the way for advancement of housing for the aged, and to guarantee health and safety standards, (C) private builders, developers and mortgage bankers, will be encouraged to take the lead in creating housing for the aged in their respective communities, (D) government agencies will broaden and expand present laws, or where pertinent, interpret existing regulations so as to expedite the building and financing of needed low-rent housing for the aged."

If your Housing Section had done nothing more than point up the magnitude of the many facets of this problem of housing for the aged it would have been a resounding success—emphasizing the great need for more reliable data on which to base our planning, what kind of housing will be needed, how it fits into community planning, the problem of regulation, etc.—all these and many more have been outlined so that we are at least prepared to examine them objectively and, I hope, act.

It is only natural that I, as well as most mortgage bankers, would have a special interest in your recommendations on financing and your citation of some of the obstacles that now deter construction of housing for the elderly at reasonable rentals. While my own experience in this field has scarcely begun and my familiarity with the problems necessarily limited, what you have proposed seems to me sound and represents a program I feel I would support. I certainly hope that all mortgage bankers alive to our responsibilities will be delving carefully into this matter in the months to come with the thought that we can follow you in making some kind of contribution to what, as I said before, yields to no other problem we will have to meet in the coming years. Jobs such as you have done contribute immeasurably to elevating the stature of the profession of mortgage banking. Walter, our thanks to you.

Sincerely,

Robt. Tharpe

PRESIDENT

White House Conference on Aging

All of a sudden the nation has been confronted with a problem of great magnitude, something that was not a major problem as late as a generation ago: our aging population and the prospect that it will become increasingly important within the foreseeable future. It's a problem that has many varied and complex facets, not the least of which is the question of housing. The recent White House Conference on Aging was a great effort to get at the facts and begin finding the solutions. A mortgage banker directed the Housing Section and here is a report on that part of the Conference.

By ROBERT J. BERAN

TODAY—as never before—the spotlight is on our senior citizens. And rightly so, for there are more of them than ever before.

There are in fact, current statistics show, some 16 million persons in this country who are 65 and over. This represents an increase of 30 per cent in the last decade, and there is every prospect that this figure will reach 20 million or more by 1970. Within the next 24 hours alone, it is estimated that another 3,000 persons will join these ranks.

Rapidly accelerating figures such as these represent a plainly visible challenge, for with each upward surge of population there grows an increasingly obvious need for a coordinated, well-balanced national program—a program to solve the major problems of our older population, a program to provide policies which will make life better for the older people of today and of the future.

A fundamental step in this direction was taken in January of this year, when more than 2,700 persons from all 50 states, the District of Columbia, the Virgin Islands and Puerto Rico and representing more than 300 diverse business, institutional and philanthropic organizations, as well as all levels of government: state, local and Federal, met in Washington, D. C. for the first White House Conference on Aging. An historic event, this Conference in years to come might well be looked back upon as a milestone in this country's social progress.

Each of the state delegations, whose quotas were set roughly in proportion to the size of their Congressional representation, ranged in number from 10 to 100 members. The national organizations participating included every conceivable field—commercial, financial, welfare, religious, medical, labor, educational, recreational, public administration and military, agricultural, veteran's, etc. Attending, also, were some 111 technical consultants and more than 500 invited guests including Cabinet members, members of Congress, Governors of states and representatives of foreign nations. No Federal employees had delegate status; they did however sit in on workshop groups and planning sessions and did act in an advisory capacity when called upon.

Working together for three and one-half days in more than 130 different workshop groups, covering 20 broad fields of interest related to the overall aspects of aging, these delegates came not merely to review existing problems or to reaffirm the known

solutions to them, but to look into the future—to set the goals for the decade ahead and to develop a blueprint for effective action to which Congress might refer when planning and passing future legislation. This they did. And in so doing they but implemented the basic concept underlying the entire Conference — a concept which President Eisenhower himself expressed when, in his brief remarks at the opening session, he urged a "full airing" of all conceivable opinions and voiced the hope that out of the Conference deliberations "would come recommendations that Congress can use later in its own deliberations."

Walter C. Nelson

Walter C. Nelson, former MBA president, and president of the Eberhardt Company, Minneapolis, directed the Housing Section of the White House Conference

Conference findings and recommendations, it can be expected, will be widely used in the coming years as a guide to corrective actions in the field of aging—by the Federal Government, by the states, by communities and private organizations and by older people themselves. Thus, the policies and recommendations provided by the Conference will, indeed, be translated into specific programs—programs which will help America's older citizens to cope with their problems and to take advantage of the opportunities available to them.

Representing the successful culmination of a two-year cooperative effort, endorsed and assisted by both the Legislative and Executive branches of the Federal government and by all state governments, the White House Conference was nevertheless a citizens' conference—not a government conference. It was not designed as a legislative body. It was designed to provide leadership and, as such, it was dominated not from the top down, but from the grass roots up.

And it was a completely non-political bi-partisan effort. Stemming from a Bill introduced by a Democrat, it was passed into law by a Democratic-controlled Congress and signed by a Republican President who authorized his Republican Secretary of Health, Education and Welfare to set up the Conference. Delegates, of course, were appointed by governors of both parties and by national organizations holding various political points of view.

Citizen-directed, the Conference was planned largely by a National Advisory Committee of 150 civic-minded citizens from many fields of endeavor and representing every state in the Union. This Committee, appointed by Arthur S. Flemming, HEW Secretary in the Eisenhower Cabinet, included among its members MBA Past President Walter C. Nelson, president of the Eberhardt Company in Minneapolis. Serving first on the Advisory Committee and then as chairman of the full Conference section devoted to Housing, Nelson played a key role in Conference proceedings. *(See President Tharpe's "open letter" to him, on this month's President's Page.)*

Indeed, the mortgage industry was well-represented. Other mortgage bankers who contributed substantially to Conference proceedings included James E. Brophy, senior vice president of James T. Barnes & Company, Detroit; and Robert G. Boucher of Mortgage Investments Co., Denver. Brophy, as chairman of the Michigan state commission on aging, led his state's official delegation.

Speaking at the Conference's opening plenary session—there were three such sessions (one a late night meeting) held in Constitution Hall, in addition to the scores of workshop groups and special policy drafting sessions which met in hotels and offices scattered throughout Washington — John E. Fogarty, U. S. Representative from Rhode Island, coupled a demand for action with the announcement that he was introducing a Bill in Congress which would set up an independent Federal Commission on Aging, to serve as the "focal point" for future activity by Government departments. Its first major project, Fogarty said, would be the implementation of the recommendations of the Conference. Having independent status and reporting directly to the President and to Congress, it would be empowered to grant funds to states, communities and organizations.

It was Rep. Fogarty, in fact, who in January of 1958 first introduced into the House the Bill which eight months later became the White House Conference on Aging Act. Passed by the Senate on September 2, 1958, it authorized the President to call the Conference in January, 1961; the President in turn designated Secretary Flemming to plan and conduct it with the assistance of other Federal departments and agencies, especially those on the Federal Council of Aging. One week later the first meeting of the National Advisory Committee was held in Washington to develop the working procedures from which eventually evolved the Conference.

For Conference purposes, the whole field of aging was arbitrarily divided into 20 subject areas and, accordingly, 20 pre-Conference "planning committees" were set up—manned by members of the national advisory group and encompassing such varied areas as social services, health and medical care, housing, religion, local community organization, employment security, retirement, etc.

To provide uniform thinking on the established facts in each subject area and to serve as a basis of discussion at the many, many state and local level conferences which preceded the national meeting, these planning committees studied the broad subject areas and, with the aid of top-flight technical consultants assigned to each committee, published "background" papers on them. No recommendations on issues were included in these papers; they were intended principally to avoid the duplication of effort at the local level and to assist the states in their pre-Conference work.

Each state was invited to collect facts about its older population, to inventory its resources and facilities and to locate and identify its problem

areas. Citizen committees were established, scores of county and regional meetings and state-wide conferences were held; there were searching committee deliberations—all of which resulted, as Congress had hoped it would, in comprehensive analyses of needs and some far-reaching plans for action. Eventually, the recommendations as submitted by *all* states were brought together, in each of the 20 subject areas—first, into "verbatim" reports and, then, into "summary" reports. These become the primary working papers of the delegates at the White House Conference itself.

Pre-Conference activities such as these did much to increase nationwide public interest in matters pertaining to the aging. Every state, for example, now has an official commission on aging (compared to about only 20 states three years ago) and many of these are permanent bodies.

With full recognition that adequate housing is fundamental to the happiness, health and welfare of the aging, that it is indeed basic to the living patterns of this country's senior citizens, the Housing Section of the White House Conference entered into a detailed study in depth of the multi-faceted phases of its particular problem areas. And from its deliberations came a broad and sweeping "statement of policy" predicted on literally dozens and dozens of specifically spelled-out recommendations reflective of all aspects of housing's key role and giving full evidence of an enlightened recognition of the problems at hand, together with a firm determination to meet and to correct these problems.

In its approach to these deliberations, the Housing Section per se broke itself down into five separate sub-sections. Sub-section A, for example, concentrated on housing in relation to community planning. Acknowledging that existing data on the needs, demand and supply of housing for the elderly is fragmentary and unreliable to the extent that intelligent planning is not possible, the delegates considering this particular topic outlined a seven-point list of recommendations aimed at improving this lack. Among its specific suggestions were:

". . . that there be established in the HHFA (or preferably in the proposed Department of Urban Affairs) 1) a clearing house for local and state experiences in conducting community studies, and 2) a research and consulting unit whose staff would be available to advise in the carrying out of studies on the housing needs of the aging.

". . . that the HHFA (or an appropriate Federal Agency) be requested to compile an inventory of the major housing resources for the elderly so that quantitative needs may be determined and correlated with ability to pay, thereby providing a basis for determining the extent to which cooperative private and public effort may be required to reach effective solutions."

And, in pin-pointing "the obvious shortage of dwelling units suitable to the needs of old people" which, today, exist in almost every community, the group further recommended (to cite but several of its proposals) that:

". . . the Federal program of direct loans to nonprofit organizations for the construction of housing for the elderly (Section 202 of the Housing Act of 1959) be continued and expanded; that there be authorized and appropriated the sum of $100 million per year for the fiscal years 1962 and 1963; and that the use of the direct loan program be encouraged where local financing is not available.

". . . the Federal program of mortgage insurance on housing specially designed for the elderly (Section 231) be continued.

". . . state-aided housing programs be encouraged—including the establishment of new programs and the expansion of existing programs in the state—to the end that housing is financially within the reach of both middle and low income groups."

Stressing the existing urgency for individual house and apartment production for the elderly to keep pace with the need, a second sub-section concerned with new houses and apartments, their physical design and construction and the housing market in general, called for all sectors of the building industry—both private and public—to play an active part; and it singled out—as the principal obstacles to the construction of this type housing at reasonable rentals—1) the high cost of land, 2) high interest rates, 3) high level of real estate taxes, 4) the short term of mortgages, 5) high building costs.

In order that some of these obstacles might be overcome, thereby increasing the available housing supply, this sub-section included among its recommendations the following:

". . . that sponsors of housing projects under Section 231 be required to file narrative and financial reports setting forth a statement of program, design standards, financial feasibility and other pertinent data for distribution to individuals and organizations interested in undertaking similar projects.

". . . that a special assistant for housing for the elderly be appointed in each FHA zone to coordinate the efforts and to facilitate the application procedure up to and including the issuance of a commitment.

". . . that a 'short form' application be developed for use in the case of housing projects of 50 dwelling units or less.

". . . that the states consider partial real estate tax abatement in the case of housing projects for the mid-

dle-income older population."

Other sub-sections dealt with such topics as: hotels, residence clubs, boarding and foster homes and congregate facilities, including their sponsorship, financing and administration; housing specifically for individuals of inadequate income; and the potentials and problems of living independently.

One recurrent theme in the workshop sessions was the realization that the housing needs of the aged are varied now and will be constantly changing. Emphasizing that the methods employed in meeting problems should be flexible, the final policy statement of the overall Section on Housing did not neglect to point out that "many suggestions which today failed to impose themselves in the final recommendations, may indeed be pertinent on another occasion."

Calling for "a coordinated approach, carried forward in an atmosphere of informed and aroused awareness," the Housing delegates agreed that "while the basic responsibility for working toward this goal of adequate housing for the aged should rest with the individual first and private enterprise next, each local community is obliged to recognize the problem — if it has one — and then lead and assist in every way toward dissolving all local impediments."

Addressing a pre-workgroup orientation session, Mrs. Marie C. McGuire, Washington born-executive director of the San Antonio, Texas, Housing Authority, outlined a five-point program of responsibility for the Nation's communities. As delineated by Mrs. McGuire, the program would:

(1) Relate housing plans for the elderly to the general planning of the community.

(2) Weigh the need and demand for new housing—working out problems of locations, methods of financing, income groups to be served.

(3) See the value of converted hotels, residence clubs, foster and boarding homes.

(4) Give high priority to housing for individuals with inadequate income.

(5) Place emphasis on independent living by providing new supportive programs, such as domestic services, meals and other home care programs for the aged.

State and Federal government programs, too, it was agreed, "should supplement this grass roots responsibility to make this a truly national effort." Agreeing that in the case of financially incapable persons, some form of local tax abatement is in order, conferees looked with disfavor—generally—on the idea as a general proposition where those of financial competence are concerned. These views became a part of the Section's final "statement of policy."

In declaring that "the problem of properly housing the aging is everyone's problem," the Housing delegates called for an integrated approach, one requiring at all levels and among all elements of society, an enlightened recognition of the problem, coupled with dedication and zeal.

"This, too," they concluded, "requires an heroic effort to compromise differences, conflicting interests and political and ideological theories—a big order to meet a big challenge."

Granted this spirit and determination—two attributes, certainly, which were amply manifested among the delegates assembled at this first and historically significant White House Conference on the Aging—the goals outlined, not only in the section devoted to housing and its role, but in all the areas of deliberation, *are* attainable because the methods for achieving them are feasible.

MORTGAGE BANKERS

(Continued from page 19)

let alone expand it, they will need to become more active in these markets. This, then, is one possible direction for broadening, to become more active in conventional residential mortgage markets, and to increase your penetration into the non-residential sector.

Another direction for broadening is in the types of investors served. It is clear that new types of investors need to be attracted to mortgages to reduce your dependence on life companies and mutual savings banks. While again no recent data are available, evidence from my study shows that you have generally sold 9 out of 10 loans to life insurance companies and savings banks. This, of course, makes you directly vulnerable to shifting investment policies of these institutions.

In considering the market for new investors, I said more than a year and a half ago at the 46th MBA Convention: "Perhaps the broadest and most challenging investor group that awaits your exploration are individuals including unincorporated business. In the early history of mortgage banking individuals provided your main source of investment funds. They gave up their preeminent position to institutional investors only after the introduction of federal mortgage insurance. Now once again, I believe, individuals

(Continued on page 41)

A Look at the U. S. Economy at the MBA-SMU Conference


We Can Be Sure of One Thing: Competition

At both MBA's SMU and NYU Senior Executives Conferences this year the themes emphasized that mortgage investment is in a highly competitive economy — a natural enough choice since competition is the central factor in all business today. And the statement can be made just as well for the entire domestic economy and — for first time for many Americans — intense competition is the principal underlying factor in international trade.

At SMU those who came to get their bearings on the general trends to apply them to their own fields of activity heard: that there will be ample funds for all legitimate mortgage investment; that competition for loans will be more the order of the day rather than that other experience of recent years — competition for funds. But they also heard: the mortgage rate structure has declined, will decline more, but not, the experts seem to believe, too much more. Regarding the government's possible actions in the housing and housing financing fields, there were few guesses as to what to expect, no flat predictions at all of what's coming.

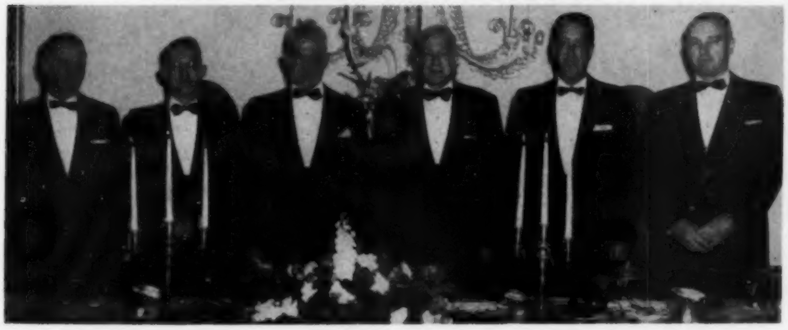
Continuing to absorb major mortgage interest is the why-and-how of selling mortgages to pensions funds. And new on the agenda—as it is at many meetings these days—is the new real estate investment trust. The possibilities were painted as alluring, promising, a new day opening for real estate and mortgage investment. But there was hedging; there are complex legal and technical problems yet to be solved which mean: we'll walk before we run. *(See next page.)*

Top of page, some who were at SMU—E. R. Haley, president, General Mortgage Corp., Des Moines; MBA President Robert Tharpe; Donald McGregor, executive vice president, T. J. Bettes Company, Houston; Howard M. Johnson, president, Don J. McMurray Co., Kansas City, Mo.; and Eldon G. Pritz, vice president, The Knutson Co., Minneapolis. Right, top, the conferees head from a meeting to a luncheon session.

Bottom of page—Charles C. Barrett, vice president, Franklin Life Insurance Co., Springfield, Ill. and former MBA President Aubrey M. Costa, and president, Southern Trust and Mortgage Co., Dallas. Center, M. J. Mittenthal, president, N. E. Mittenthal & Co., Dallas; Paul Crum, president, M. P. Crum Co., Dallas; and Walter Counsins, Dallas City Councilman. Right, Dr. William Henson, professor of finance, University of Miami; Louis P. Wolfort, president, First National Mortgage Corp., New Orleans; and J. DuVal West, who heads the new J. DuVal West Mortgage Company in Dallas.



Carey Winston President Washington, D.C. MBA



Carey Winston, president of The Carey Winston Company and a member of the MBA board, was elected president of the Mortgage Bankers Association of Metropolitan Washington, succeeding W. W. McCollum, president, W. W. McCollum, Inc.

At the eighth annual banquet of the Association, where the new officers were installed, the speakers table was, left to right, Frank C. Delvin, second vice president, Acacia Mutual Life Insurance Co., board of governor; Thomas S. Bauer, executive vice president, A. E. Landvoigt, Inc., secretary; Mr. McCollum; Mr. Winston; John C. Holzberg, vice president, Shannon & Luchs Co., vice president; and Roger W. Hatch, secretary-treasurer, Walker & Dunlop, Inc., treasurer. Not shown: M. Trimble Sawtelle, III, executive vice president, Walker & Dunlop, Inc., counsel.

Tharpe Visits MBA of Newest U.S. State

PRESIDENT THARPE IN HAWAII: When MBA President Robert Tharpe spoke before the Hawaiian MBA in Honolulu—first MBA president to make an appearance in the country's newest state—he took time out with the Association officers for a tea-house party at Ishii Garden. Left to right, Mrs. Corie Roache; John Pietsch, Association director; Mrs. Charles Hamane; Corie Roache, vice president; Mrs. Robert Hunt; Mr. Tharpe; Eliot Wong, treasurer; Robert Hunt, secretary; Mrs. Tharpe; Charles Hamane, president and Mrs. John Pietsch.

While the MBA-SMU Conference is primarily aimed at serving the Midwest, South and West, attendance at the 1961 session extended far beyond these areas. Registration totaled 139 from 20 states. At NYU, the gates were opened this year with new facilities permitting the admittance of more than in previous years. More than 200 attended.

New MBA Is Formed in Mobile, Alabama

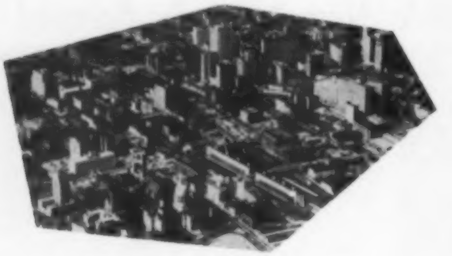
The Mortgage Bankers Association of Mobile, Alabama has been organized and Grover L. Johnson, vice president, E. S. Watts and Company, and manager of that firm's Mobile branch, has been named first president. William M. Battle, vice president, Real Estate Financing, Inc. and manager of his firm's Mobile branch, was named vice president and Mason Dillard, manager of the Mobile office of W. B. Leedy and Company, Inc., was elected secretary-treasurer. The initial board of directors consists of the three officers and two additional directors, who are Richard M. Humphrey, assistant vice president, Cobbs, Allen and Hall Mortgage Company and manager of that firm's Mobile office and Joe Courtney, vice president of First Federal Savings and Loan Association of Mobile.

The new organization is open to all officers and managers of correspondent firms, insurance company representatives, banks and savings and loan associations. Fifteen firms are initially represented in the Mobile MBA.

Seated, left to right, the new Mobile vice president William M. Battle and the president, Grover L. Johnson. Standing, Mason Dillard, secretary-treasurer, and Richard M. Humphrey, a member of the board.

Lilly in Louisville

E. Rutledge Lilly, vice president, Kentucky Trust Company, has been elected president of the Louisville MBA. Other officers are vice president, James J. Langan, president, Langan Corporation; secretary, Peyton T. Talbott, vice president, James H. Pence Company; and treasurer, Charles H. Keeling, vice president, Louisville Title Insurance Company.



In Atlanta, the Southern Mortgage Conference—April 10-11

The second in the 1961 series of MBA Mortgage Conferences will be what is becoming to be a traditional event in the Association's programs, a Southern Mortgage Conference, and this year it will be in Atlanta at the Dinkler-Plaza Hotel, April 10 and 11—and, significantly, in President Tharpe's home city. The format of the two-day Conference will follow the one successfully used in Chicago with a series of workshop sessions which proved to be a most valuable innovation in MBA programming.

The workshop topics in Atlanta and some of the participants will include:

What Should Be Included in Servicing Costs? Moderator: Carey Winston, president, The Carey Winston Company, Washington, D. C. Participants: Joseph L. Engleman, director of special projects, Mutual Life Insurance Company of New York, New York, and W. W. Dwire, vice president, Citizens Mortgage Corporation, Detroit.

Mergers and Acquisitions of Mortgage Lending Firms. Moderator: John F. Austin, Jr., president, T. J. Bettes Company, Houston. Participants: Lemuel J. Holt, secretary-treasurer, W. A. Clarke Mortgage Co., Philadelphia, and Burton L. Hedin, vice president, J. P. Huntoon & Co., Inc., New York.

Developing Other Sources of Income for Mortgage Bankers. Moderator: Charles P. Landt, executive vice president, Cameron-Brown Company, Raleigh, N. C. Participants: John C. Hall, president, Cobbs, Allen & Hall Mortgage Company, Inc., Birmingham, and Ernest P. Schumacher, president, Schumacher Mortgage Company, Inc., Memphis.

The Technique of Marketing Commercial and Industrial Loans. Moderator: James B. Biddle, executive vice president, M. P. Crum Company, Dallas. Participants: A. C. Bryan, vice president, loan department, Provident Life and Accident Insurance Company, Chattanooga and Robert A. Hoffman, vice president, Ivor B. Clark, Inc., New York.

The Real Estate Investment Trust Act. Moderator: Samuel E. Neel, MBA general counsel, Washington, D. C. Participants: Miles L. Colean, Washington, D. C.; James W. Rouse, president, James W. Rouse & Company, Inc., Baltimore; Carton S. Stallard, president, Jersey Mortgage Company, Elizabeth, New Jersey.

The Right Relationship Between Mortgage Banker and Commercial Banker. Moderator: Robert W. Warren, executive vice president, Reid-McGee & Company, Jackson, Mississippi. Participants: King Upton, vice president, The First National Bank of Boston, Boston, and Paul P. Wilson, vice president and treasurer, Schumacher Mortgage Company, Inc., Memphis.

The Mortgage Banker's Place in Urban Renewal. Moderator: Robert H. Pease, vice president, Draper and Kramer, Inc., Chicago. Participants: Herschell Greer, president, Guaranty Mortgage Company of Nashville, Nashville, and Edward S. Watts, E. S. Watts & Co., Inc., Montgomery, Ala.

Analyzing Shopping Centers. Moderator: Laurence H. Cleland, vice president, Baird & Warner, Inc., Chicago. Participants: Bruce P. Hayden, secretary, city loan division, Connecticut General Life Insurance Company, Hartford, and James W. Gibson, assistant treasurer and associate director, mortgage loan department, John Hancock Mutual Life Insurance Company, Boston.

Following the workshop sessions, two of which can be attended each day by all registering, the Conference will hear these addresses:

The Investor-Correspondent Relationship by W. C. Weaver, vice president, The National Life and Accident Insurance Company, Nashville.

The Economy of the South by James C. Richardson, associate professor of finance, University of Florida, Gainesville.

At the luncheon meeting opening day U. S. Senator Herman Talmadge from Georgia will make the principal talk.

That evening there will be a reception and buffet dinner for all attending.

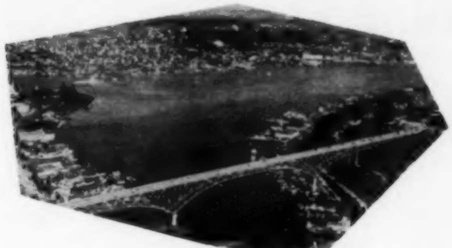
On the second day the series of workshop sessions will be repeated and members attending will have an opportunity to catch two of those they were unable to attend the opening day. Following that the meetings will adjourn to a general session where members will hear:

The Supply of Mortgage Money Coming from Savings Banks by Nathan T. Bascom, president, Worcester Mechanics Savings Banks, Worcester, Mass.

The Relative Desirability of Residential Loans vs. Commercial and Industrial Loans for Life Company Investment by R. Manning Brown, Jr., vice president, New York Life Insurance Company, New York.

Regarding Sales of Mortgages to Pension Funds, by Arthur W. Viner, president, Investors Central Management Corporation, New York.

The Atlanta Conference is being planned as a particularly special event. Practically all members of the Atlanta MBA have been working on the arrangements for months and the results will be self-evident to those who attend.



In Seattle, the Loan Administration Clinic – April 20-21

MBA's initial 1961 offering in the field of mortgage loan servicing will be in Seattle, but servicing is only a part of the topics and problems up for discussion and review. It is not a Mortgage Servicing Clinic but a Loan Administration Clinic embracing all the added duties and responsibilities which this side of mortgage servicing has come to assume. The dates are April 20 and 21 in the Olympic Hotel in the Pacific Northwest's principal city.

The theme is "Blueprint for Profit: Dynamic Administration" and to carry out the expanded scope of the meeting one expert will discuss Profit Planning through Budgetary Control and there will be a round-table seminar on "Control Through Financial Planning."

The major portion of the two-day meeting will be concentrated on roundtable seminars which will be, in effect, compact workshop sessions; again to illustrate the expanded scope of the clinic, some new ones will be presented for the first time.

The seminars run like this:

CASHIERING AND REMITTANCE METHODS — Among the participants, M. J. Greene, moderator and vice president, Southern Trust & Mortgage Company, Dallas; Warren J. Hartley, manager servicing department, Sherwood & Roberts, Inc., Walla Walla, Washington.

DELINQUENCY PROBLEMS AND SOLUTIONS—Among the participants, Donald A. Luff, moderator and vice president, Jay F. Zook, Inc., Cleveland; Raymond L. Davis, Jr., treasurer, Murphree Mortgage Co., Nashville.

PLANNING CONVERSION TO DATA PROCESSING EQUIPMENT — Participants: Stanley LeBon, loan servicing officer, Metropolitan Mortgage Corporation, Los Angeles and Robert L. Black, vice president, Palomar Mortgage Company, San Diego.

VA AND FHA FORECLOSURE AND CLAIM PROCEDURES — Participants: William N. Morris, moderator and servicing manager, T. J. Bettes Company of California, Los Angeles; P. N. Brownstein, director VA loan guaranty service, Washington, D. C. and Edwin G. Callahan, assistant to the FHA commissioner, Washington, D. C.

FNMA SERVICING PROCEDURES — Participants: Robert M. Johnson, moderator and vice president, Pacific States Mortgage Service, Inc., Oakland and Alexander J. Sternberg, director FNMA examination and audit, Washington, D. C.

MODERN INSURANCE ADMINISTRATION—Participants: William A. Branigin, assistant secretary-treasurer and moderator, Carroll Mortgage Company, Seattle and Robert J. Murphy, assistant director, MBA accounting and servicing, Chicago.

FINANCIAL PROCEDURES IN LOAN ORIGINATION—Among the participants: Roger C. Olson, executive vice president, Dwyer-Curlett & Company, Los Angeles.

PERSONNEL — Among the participants: Roger W. Hatch, moderator and senior vice president, Walker & Dunlop, Inc., Washington, D. C.

LOAN ADMINISTRATION DEPARTMENT ORGANIZATION AND POLICY—Among the participants: W. R. Hizar, moderator and vice president, Mortgage Investment Corporation, San Antonio and Stephen H. Dolley, vice president, Winter Mortgage Company, Los Angeles.

CONTROL THROUGH FINANCIAL PLANNING—Participants: A. F. Potenziani, president and moderator, Mountain States Investment Corporation, Albuquerque and William F. Schreiber, vice president, Erie County Savings Bank, Buffalo.

OFFICE LAYOUT — Among the participants: Robert Sutro, president and moderator, Ralph C. Sutro Co., Los Angeles.

Another feature of the Seattle Clinic will be a "tennis match" panel in which five experts at one end of the room will answer five questioners at the other end. Questions will be "batted back" and forth and there will be a time-keeper to keep the session moving. In the "experts" end of the room will be John K. Benoit, manager, investment records section, Equitable Life Insurance Company of Iowa, Des Moines; Fred K. Cordes, vice president, The Bowery Savings Bank, New York; Joe Engleman, director of special projects, Mutual Life Insurance Company of New York, New York; William F. Schreiber, vice president, Erie County Savings Bank, Buffalo and Douglas C. Welton, vice president, Dry Dock Savings Bank, New York.

The "questioners" will be Willis R. Bryant, president, Bryant-Johnson Mortgage Company, Inc., San Francisco; Roger C. Olson; A. F. Potenziani; Dale M. Thompson, president, City Bond and Mortgage Company, Kansas City; and James G. Wasson, director MBA accounting and servicing, Chicago.

Time keeper is A. A. Johnson, vice president, Colonial Mortgage Service Company, Upper Darby, Pa.

James T. Hillman, secretary-treasurer of Securities Mortgage Company, Seattle is chairman of the Loan Administration Clinic and will preside at most of the sessions.

The Seattle MBA, the Washington Mortgage Correspondents Association and Seattle's three title insurance companies will be hosts at a reception the first evening of the Clinic.

New in MBA Education . . . Learning about

MORTGAGES by MAIL

IN October of last year MBA members received an announcement that the first in a series of ten correspondence courses was available to their employees. This was MBA's initial excursion into education-by-mail and the program is off to a good start.

These courses are being developed to fill a long-feit need for increased training for non-management personnel. Each one will cover a specific phase of mortgage lending and servicing procedure, with emphasis on the "how-to-do-it" aspects rather than on theory. They will not duplicate courses of study at the School of Mortgage Banking.

First Graduate . . .

J. R. Shockley, Jr.

Complete text material, instructions, and individual assignments are sent as soon as the student's application is accepted, with deadlines for the submission of lesson reports. The reports are graded by qualified instructors, and upon successful completion of a course, the student is awarded a Certificate of Completion.

Training by correspondence has been well received by management in many fields. A great variety of business and industrial firms today successfully employ this form of instruction. They find that it provides greater employee efficiency without loss of man hours for training or detraction from their own functions to fulfill training duties. Employee motivation and morale is increased also through a better understanding of operations and in appreciation of the training opportunity afforded. The MBA program will give its member firms these advantages at nominal cost.

Registrations in the first course, Processing the Loan, have already reached a total of 415 in a much shorter period than anticipated, and are continuing to come in. They are from almost every state with Georgia, Florida, California and Ohio leading in students. Men out-number women by 239 to 176. A total of 243 students have already completed the course. The first to do so was J. R. Shockley, Jr., Tidewater Mortgage Corporation, Hampton, Virginia. Additional completions are taking place daily at almost the same rate as enrollments are received.

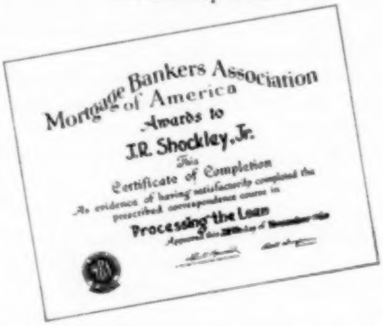
Mortgage companies lead in total registrations with 326, followed by title and trust companies with 40, commercial banks with 25, insurance companies with 13 and savings banks with 11.

Such a high completion rate is unusual, as compared to other academic programs, and would seem to indicate that students are finding the course both interesting and useful.

Is your firm among those utilizing the advantages of this training program? Are all of your employees who might benefit from it presently enrolled?

The program being developed is specifically for members' benefit and a great deal of care and attention is going into the planning, writing and administration of each course. The job analyses, which many members submitted for use with this first course, were examined to insure thoroughness in covering the various problems which might arise in different companies. The subcommittee which worked so tirelessly to accomplish the fulfillment of its goals include:

. . . His Diploma



Philip C. Jackson, Jr., Vice President, Jackson Securities & Investment Company, Birmingham, Alabama

Louis P. Wolfort, President, First National Mortgage Corporation, New Orleans, Louisiana

Everett C. Spelman, Vice President, Western Securities Company, Denver, Colorado

Harold H. Pence, President, The Monarch Investment Company, Wichita, Kansas

Lloyd Sessions, President, Sessions Mortgage Company, Corpus Christi, Texas

In the event that information on the course in PROCESSING THE LOAN has not come to your attention, or if you have just been too busy to give much thought to it, we urge you to do so now. An enrollment form appears below for your convenience. If there is more than one registrant from your firm, simply prepare a similar application for each individual.

MORTGAGE BANKERS

(Continued from page 35)

may offer you a promising new market, as they become increasingly investment minded."

At the time I made this statement federal regulations permitting individuals to participate in FHA-insured mortgage loans had only recently been effected. Since then new legislation has been enacted authorizing conduit tax treatment for real estate investment trusts. This new legislation may permit you to tap directly the savings of individuals and eleemosynary institutions as never before. Its promise is great—but so also are its problems. Many crucial decisions must be made.

You must decide on the breadth and scope of the real estate investment trust. Will you limit the trust to mortgage loans or will you include real estate equities? And in mortgage loans, do you see a place for the conventional loan or only for federally underwritten mortgages? What about the techniques of marketing shares, and the costs of distribution? Can costs of management, as well as of distribution, be kept low enough to make the net yield attractive to investors relative to other investment opportunities? What about liquidity—will it be possible to operate these trusts on an open-end basis redeeming or marketing shares at the request of investors? Some observers think this is essential before real estate investment trusts can hope to achieve anywhere near the success of mutual funds.

Numerous other questions and problems, both legal and economic, will have to be resolved before the potentials opened up by this new legislation for conduit tax treatment of real estate investment trusts can be realized. While morgage bankers may perhaps be the best suited to organize and operate these trusts it would be folly to assume that you will not have competition from other sources. Sound business opportunities do not go unnoticed for long in our dynamic competitive economy. But this does not mean that you ought to rush into this venture.

Broadening your services, not only into other types of mortgages and investors, but also into other areas of real estate activity as well, and even beyond, is also suggested by the times. Looking back over your history it is apparent that your predecessors were widely diversified, engaging in various types of real estate activities in addition to mortgage banking. Servicing was only a minor part of their income whereas today it is the life blood of your business and other types of activities are tangential. Perhaps there is a suggestion here that servicing need not forevermore contribute the bulk of your income. Greater penetration than you have already made into related activities—real estate investment and sales, land development, general insurance, brokerage, urban redevelopment—will permit you to become a more effective competitor in today's economy and to roll better with the punches dealt by changing economic conditions.

In addition, there is no reason why you should not diversify your activities beyond the related real estate and mortgage banking area.

On MBA's Staff

Richard A. Durfee has joined MBA and been named assistant director of education and research. Until recently he was associated with a correspondence school as magazine editor, instructor and author of various courses used by the school. His past career has included a position as administrative assistant to the director of the National Home Study Council. He holds a Bachelor of Laws degree and has attended George Washington University, the University of Chicago and Loyola University in Chicago. He is a member of the Adult Education Council of Greater Chicago and is the author or co-author of several books.

Richard Durfee

TO: MORTGAGE BANKERS ASSOCIATION OF AMERICA
111 West Washington St., Chicago 2, Ill.

APPLICATION FOR REGISTRATION
CORRESPONDENCE COURSE
PROCESSING THE LOAN

Student Name________

Company________

Company Address________

City - State________

Check payable to Mortgage Bankers Association of America for $35 to cover costs of this instruction is enclosed.

Signed

Title

Company

Address

Date

City - State

People : Places : Events

Charles A. Harris has been named senior vice president in charge of the mortgage loan department of Marine National Exchange Bank of Milwaukee. He was engaged in real estate brokerage, property management and building prior to 1940 when he was named Special Deputy Commissioner of Banking for Wisconsin. In 1944 he joined the bank as head of the modernization loan department, also becoming, in 1945, manager of the bank's mortgage loan division which was, at that time, a subsidiary of the bank known as the Marine Exchange Company. Harris became vice president of the Marine Exchange Company in 1947 and its president in 1951. He has been a director of the Wisconsin Mortgage Investors' Association since 1955 and a director of the Downtown Association.

George Elkins Company of Beverly Hills announced promotions for two of its executives. **Norman D. Armitage,** formerly assistant vice president, has been elected vice president. **George W. Elkins, Jr.** has been elected assistant vice president.

Norman D. Armitage George W. Elkins, Jr.

Mr. Armitage, who was an officer in a Western banking chain before joining Elkins in 1958, is a graduate of the Pacific Coast Banking School at the University of Washington.

Mr. Elkins, active with the company for nine years, is also a director of the organization. He is a senior member of the Society of Residential Appraisers and is active in committee work for the Southern California MBA.

Donald R. Olson has been elected secretary of Kassler & Co. of Denver. He came to the firm four years ago from Title Insurance Corporation of Minnesota and is a graduate of the MBA School of Mortgage Banking.

Donald R. Olson

John G. Fitzgerald has been elected vice president of Woonsocket Institution for Savings, Woonsocket, Rhode Island, and **William K. Goldthwaite** has been named assistant vice president.

Byron T. Shutz, senior partner of Herbert V. Jones & Company, Kansas City, has been re-elected president of the Downtown Committee of Kansas City for 1961, the third year he has been named to that post.

Promotion of **Goldwyn J. Robinson,** staff attorney, to the vice presidency of James T. Barnes & Co., Detroit, was announced. At the same time, **James T. Barnes,** president, announced that **Walter J. Marrs,** who at 22 is one of the youngest members of the staff, had been promoted and given the title of assistant to James E. Brophy, executive vice president, in the processing of mortgages on multiple dwellings in the Detroit area and outstate. Marrs started as a messenger boy with the Barnes Company three years ago.

Robinson joined the Barnes organization five years ago as attorney in charge of office legal matters, construction loans to builders, special mortgages and as a consultant to builders and land developers in mortgage problems. He is now in charge of construction loans to builders of large-scale projects in the Detroit area.

J. W. Jones and **J. DuVal West,** partners since 1947 in the Jones-West Mortgage Co., Dallas, have announced the formation of separate new mortgage lending firms. Mr. Jones becomes president of Jones-Cox Mortgage Corporation, and Mr. West becomes president of J. DuVal West Mortgage Company.

J. W. Jones J. DuVal West

Associated with Mr. Jones as executive vice president of Jones-Cox Mortgage Corporation is **John C. Cox, Jr.** Other officers are **Louis LeMay,** vice president and treasurer; **J. W. Jones, Jr.,** vice president and secretary; **Joseph W. Cole** and **Cecil W. Johnston,** assistant vice president.

Officers associated with Mr. West in the J. DuVal West Mortgage Company are **J. DuVal West, Jr.,** and **J. B. Hamlett, Jr.,** vice presidents; **David E. Billings,** vice president and controller, and **Mrs. Ruth Steger,** secretary and treasurer.

Mr. West is past president of Dallas MBA and a recipient of Texas MBA's J. E. Foster Award as outstanding mortgage banker of the year for 1954. He is serving his thirteenth consecutive term as Secretary and Treasurer of the Texas Association, of which he is a life member. He is a member of MBA's Educational Committee.

Mr. Jones is a past president of Dallas MBA and of the Texas MBA, and a member of MBA's board of governors. He is a former Dallas District Director of FHA.

American Title Insurance Company has named **John J. Scully,** former vice president in charge of the real estate and mortgage department of Chase Manhattan Bank, New York, as senior vice president and chairman of the executive committee. Mr. Scully assumed his duties at American Title's Miami home office, and within a few months will open a New York office for special representation of the Company there for approximately six months each year.

John Scully

Mr. Scully first became associated with Chase in 1933, and was named head of the real estate and mortgage department in 1944. He continued in this capacity until two years ago, when he devoted practically his full time to construction of Chase Plaza, the bank's new 64-story home.

He is credited with having originated the system through which commercial banks warehouse mortgages for mortgage bankers and other mortgage originators.

The "pilot" in this now extensively used banking practice was worked out by him and Mr. Weintraub for American Title through the First National Bank of Palm Beach, a Chase correspondent.

Among the public recognitions which have to come to Mr. Scully are his selection by former President Eisenhower to serve on the President's committee to study real estate and mortgage financing, and appointment by Gov. Nelson Rockefeller to the New York State Committee on Middle Income Housing.

Currently, he is a governor of the Real Estate Board of New York and, by appointment of David Rockefeller, chairman of the real estate committee of the Downtown Lower Manhattan Association, engaged in guiding redevelopment of lower Manhattan.

John F. Eleford has been named vice president in charge of mortgage sales in the New York area for Thomas & Hill, Inc., Charleston, West Va. Mr. Eleford is president of New York MBA and is also president of Eleford & Counihan, Inc.

Richard M. Sadowski has been elected president of Dade Commonwealth Mortgage Co. and T. J. Bomar has been elected chairman. Mr. Sadowski has been vice president of the company and is active in the Florida and Greater Miami MBAs.

Perry Russell, former vice president of Mortgage and Trust, Inc., has been named vice president of the Fannin State Bank, Houston.

George G. Radcliffe, treasurer of the Baltimore Life Insurance Co., has been elected to the Board. He is a graduate of Johns Hopkins University and started with Baltimore Life's Acutarial Department as a clerk while still attending college. He joined the investment department in 1950, and was elected treasurer in 1958.

Idea

Not long ago the Fourth Annual Conference on Industrial Development, sponsored by Missouri's Division of Resources and Development and aimed at attracting more industry to the State, was held in Jefferson City, the capital. Herbert V. Jones

& Company of Kansas City used the occasion to display a poster which pictured the mortgage banker in a prominent manner. The poster *(see cut)* depicted the information that the mortgage banker would have to have in considering financing for a particular industrial property. Prominently mentioned is "through a member firm of the Mortgage Bankers Association of America." All states and all communities are eagerly seeking to attract industry to their areas. Mortgage bankers should not overlook the opportunities inherent in efforts of this kind—just as was done by Jim Chandler in "The Road to Better Living."

Each year the Richard Gill Company of San Antonio takes its investor clients on a shooting trip and this year the locale was the Edwards Plateau near Kerrvile, Texas, noted for deer. The group did all right—13 deer and turkey. The photo is proof:

In the picture are, front row, sitting: Lon Perry, St. Louis Fire and Marine Insurance Co.; Gilbert Wingate, Beaumont, Texas; Cecil Woods, president, Volunteer State Life Insurance Company, Chattanooga; Richard Gill, chairman, The Richard Gill Company; Dana Harder, vice president, Southwestern Life Insurance Company, Dallas; Ames Gill, president, The Richard Gill Company. Second row, sitting: A. A. Abernathy, president, The Joyner Mortgage Company, Dallas; Paul Vollmar, Jr., president, Realty Mortgage and Investment Company, Albuquerque; William Flannery, vice president, Alamo National Bank, San Antonio. Standing: Edwin Craig, chairman, The National Life and Accident Insurance Company, Nashville; H. B. Gibbs, assistant vice president and assistant manager, Mortgage Loans, National Life; W. C. Weaver, Jr., vice president and manager, Mortgage Loans, National Life. The photographer is none other than William F. Keesler, senior vice president, The First National Bank of Boston.

Oliver M. Walker, president of Walker & Dunlop, Inc., Washington, D. C., announced that **Matthew Trimble Sawtelle** has been named executive vice president in charge of the mortgage loan department, legal and closing. He has been with the firm since 1946 and is counsel for the Metropolitan Washington, D. C. MBA. **Roger W. Hatch** has been named senior vice president in charge of banking, accounting, loan service and personnel. He likewise joined Walker & Dunlop, Inc. in 1946 and is treasurer of the Metropolitan Washington, D. C. MBA.

Retirements

Harry L. Shaw, vice president of Olympic National Life Insurance Co., Seattle, has retired. He is the first executive to retire under the company's pension plan.

Harry L. Shaw

He has been with Olympic National Life since 1948 as manager of the mortgage loan department. A native of Idaho, he came to Seattle in 1941 and worked with savings and loan and mortgage companies before joining Olympic National. In 1955, he was president of the Seattle MBA.

Hugh J. FitzSimons, vice president in charge of the Closing Department of The Title Guarantee Company, New York, is retiring after a record 56 years of title company association.

He was first engaged as a messenger boy by the Lawyers Title Insurance Company of New York. In the ensuing years, while working full time, he completed his high school, law courses, graduated from Fordham University School of Law and was admitted to the New York Bar in 1924.